



MEETINGS SCHEDULED FOR JULY

Minnesota Housing
400 Wabasha Street N. Suite 400
St. Paul, MN 55102

THURSDAY, JULY 23, 2020

Regular Board Meeting
1:00 p.m.

Conference Call via GoTo Meeting

Dial-in number (U.S. and Canada):
1-866-899-4679

Access code:
538-312-741

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, July 23, 2020.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 or Minn. Stat. 13D.021 are met. The Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

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Mission

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

Vision

All Minnesotans live and thrive in a safe, stable home they can afford in a community of their choice.

AGENDA

Minnesota Housing Board Meeting

Thursday July 23, 2020

1:00 p.m.

- 1. Call to Order**
- 2. Roll Call**
- 3. Agenda Review**
- 4. Approval of Minutes**
 - A. (page 5) Regular Meeting of June 25, 2020
 - B. (page 9) Emergency Meeting of July 9, 2020
- 5. Reports**
 - A. **Chair**
 - B. **Commissioner**
 - C. **Committee**
- 6. Consent Agenda**
 - A. (page 11) Grant Contract Modification, Impact Fund -United Community Action Partnership
 - B. (page 17) Approval, Deferred Loan Fund Contract Modification, Impact Fund, American Indian Community Development Corporation
 - C. (page 21) Selection and Commitment, Low and Moderate Income Rental Program (LMIR)
 - Grand Oaks Townhomes, D3818, Baxter
 - D. (page 31) Commitment, Low and Moderate Income Rental Loan (LMIR)
 - The Crossings Phase II, D7994, Big Lake
 - E. (page 43) Waiver Request, Housing Trust Fund (HTF) Program Owner Inspection Certification
 - F. (page 47) Selection and Commitment, Low and Moderate Income Rental Loan (LMIR)
 - Minnesota Vistas, D5961, St. Paul, MN
- 7. Action Items**
 - A. (page 59) Resolution Authorizing the issuance of Additional Series of State Appropriation Bonds (Housing Infrastructure), and Approving the Execution and Delivery of Related Documents
- 8. Discussion Items**
 - A. (page 123) 2020 Second Special Legislative Session
 - B. (page 125) Revision to the Board Resolution establishing a Finance and Audit Committee
 - C. Covid-19 Update

9. Information Items

None.

10. Other Business

None.

11. Adjournment

DRAFT Minutes
Minnesota Housing Board Meeting
Thursday, June 25, 2020
1:00 p.m.
Via Conference Call

1. Call to Order.

Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:03 p.m.

2. Roll Call.

Members Present via conference call: Melanie Benjamin, Auditor Julie Blaha, Chair John DeCramer, Craig Klausing, Stephanie Klinzing, Stephen Spears, and Terri Thao.

Minnesota Housing Staff present via conference call: Tal Anderson, Ryan Baumtrog, Sara Bunn, Kevin Carpenter, Jessica Deegan, Allison Ehlert, Rachel Franco, Anne Heitlinger, Jennifer Ho, Summer Jefferson, Hannah Jirak, Kasey Kier, Ben Landwehr, Tresa Larkin, Debbi Larson, Song Lee, James Lehnhoff, Nira Ly, Sara Matala, Jill Mazullo, Tom O'Hern, John Patterson, Devon Pohlman, Paula Rindels, Lael Robertson, Gayle Rusco, Rachel Robinson, Anne Smetak, Corey Strong, Emily Strong, Jodell Swenson, Mike Thone, Ted Tulashie and Kristy Zack.

Others present via conference call: Michelle Adams; Kutak Rock; Melanie Lien, Piper Sandler & Co.; Anne Mavity, Minnesota Housing Partnership; John Rocker; Greater Minnesota Housing Fund.

3. Agenda Review

Legislative update moved from a discussion item and will be mentioned in the Commissioner's update. Consent Agenda items A, B & C moved to Action items.

4. Approval

Regular Meeting Minutes of May 28, 2020

Motion: Stephanie Klinzing moved to approve the May 28 regular meeting minutes. Seconded by Craig Klausing. Roll call was taken. Motion carries 7-0. All were in favor.

5. Reports

A. Chair

None.

B. Commissioner

Commissioner Ho shared the following with the board:

- Welcome to Stephen Spears.
- Thanks to Kristy Zack and Rachel Franco for setting up the meeting to take place via GoTo.
- Day 100 of telework on Wednesday, June 24.
- Making changes to our telework policy. Anticipating we will be remote for some time.
- Good-bye to Rick Smith, Tribal Liaison. Rick retired earlier this week. Corey Strong joined the Agency in March.
- Welcome to Vi Bergquist, Chief Information Officer. Thanks to Brad LeBlanc for serving as interim CIO.

- Congratulations to Anne Smetak, our new General Counsel and thanks to Tom O'Hern who is retiring next month. Today is Tom's last meeting. Board members thanked Tom for his service.

Mortgage Approvals:

- We are excited to debut a revised Board report template for multifamily amortizing loans requesting Board approval. This builds upon a revision of the Mortgage Credit report format as part of staff continuous improvement efforts.
- The revision was motivated by a desire to streamline the presentation for Board members and to tie back to the selection narratives that are used when the Board reviews Consolidated RFP selection recommendations. The new format will also save significant time for staff spent drafting the Board report. The previous format was outdated because it was designed to pull from reporting systems that are no longer in use.

Legislative Update:

- A one week special session ended early morning on June 20
- Disappointed that there was no resolution of our initiatives which included:
 - \$100 million in emergency housing assistance
 - \$200 million in Housing Infrastructure Bonds
 - \$60 million public housing rehab
- Conversations progressed on an overall bonding bill, but still a lot of work left to do.
- Uncertain when the 2nd special session will start. Current peacetime emergency ends July 13 and the legislature will need to be called back into a special session if that is going to be extended.
- We're working with the Governor's Office and Minnesota Management and Budget on an alternative path for the emergency housing assistance.

C. Committee

None.

6. Consent Agenda

- D. Selection and Commitment, Low and Moderate Income Rental Program (LMIR)
 - Minnesota Place, D5960, Saint Paul
- E. Selection and Commitment, Low and Moderate Income Rental Program (LMIR)
 - Minnesota Vistas, D5961, Saint Paul
- F. Commitment, Low and Moderate Income Rental Program (LMIR), Flexible Financing for Capital Costs Loan (FFCC) and Low and Moderate Income Rental Bridge Loan (LMIRBL)
 - Hilltop Cottages, D7992, Pine City

Motion: Craig Klausing moved to approve the Consent Agenda items D, E and F. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor.

7. Action Items

- A. Grant Contract Modification, Impact Fund, Rebuilding Together - Twin Cities
John DeCramer requested Consent Agenda item A to move to Action Item and inquired as to whether the changes made at Rebuilding Together are permanent changes or temporary due to Covid-19; staff indicated that the change is temporary, due to Covid-19.

Motion: John DeCramer moved to approve Grant Contract Modification, Impact Fund, Rebuilding Together - Twin Cities. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor.

B. Workforce Housing Development Program, Revisions to Program Guide
Chief Executive Benjamin requested Consent Agenda item B to move to Action Item and inquired if the eligible applicants in Greater Minnesota includes Reservations or if there is a different policy that addresses Reservations; staff provided a response to the inquiry.

Motion: Stephanie Klinzing moved to approve Workforce Housing Development Program, Revisions to Program Guide. Seconded by Craig Klausing. Roll call was taken. Motion carries 7-0. All were in favor.

C. Selection and Commitment, Low and Moderate Income Rental Program (LMIR) and Flexible Financing for Capital Costs Loan (FFCC) - Seasons Park, D8265, Richfield

Stephanie Klinzing requested Consent Agenda item C to move to Action Item. Board members asked a series of questions and staff provided answers.

Motion: Stephanie Klinzing moved to approve Selection and Commitment, Low and Moderate Income Rental Program (LMIR) and Flexible Financing for Capital Costs Loan (FFCC) -Seasons Park, D8265, Richfield. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor.

A. Approval, Revisions to the Junior Lien Servicing Manual

Ben Landwehr presented to the Board a request for approval of the revised Single Family Junior Lien Servicing Manual. The updated Manual includes language and process updates that align with current applicable mortgage servicing rules, regulations and statutes and provides clarifications to operational procedures. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Craig Klausing moved approval, Revisions to the Junior Lien Servicing Manual. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor.

B. Approval, Resolution Authorizing Issuance and Sale of Rental Housing Bonds, 2020 Series A (Hilltop Cottages)

Kevin Carpenter presented to the Board a request for authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. The bonds will be issued in an amount not to exceed \$4,610,000, and will be used to acquire and finance the acquisition and construction of a 35-unit rental housing development located in Pine City, Minnesota. The Agency expects to price and issue these Rental Housing bonds in late July; the attached Preliminary Official Statement describes the entire transaction. Melanie Lien, Kutak Rock joined the call to review the Resolution. Chair DeCramer opened up the discussion. There were no questions from the board.

Motion: Stephanie Klinzing moved Approval, Resolution Authorizing Issuance and Sale of Rental Housing Bonds, 2020 Series A (Hilltop Cottages). Seconded by Craig Klausing. Roll call was taken. Motion carries 7-0. All were in favor.

8. Discussion Items

A. Minnesota Housing Administrative Budget, State Fiscal Year 2021

Rachel Robinson and Kevin Carpenter reviewed State Fiscal Year 2021 Minnesota Housing Administrative Budget.

B. Covid-19 Update

Rachel Robinson and Kevin Carpenter provided the board with an update on Covid-19 impacts on business operations and the financial markets.

9. Information Items

- A. Post-sale Report, HFB 2020 Series BC
- B. Post-sale Report, RHFB, 2020 Series DE

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:28 p.m.

John DeCramer, Chair

Draft
Minnesota Housing Emergency Board Meeting Minutes
July 9, 2020
8:30 a.m.

1. Call to Order.

Chair DeCramer called to order the special meeting of the Board of Minnesota Housing Finance Agency at 8:32 a.m.

2. Roll Call.

Members Present: Terri Thao, Stephanie Klinzing, John DeCramer, Stephen Spears and Auditor Julie Blaha.

Minnesota Housing Staff present: Vi Bergquist, Ryan Baumtrog, Kevin Carpenter, Diane Elias, Rachel Franco, Jennifer Ho, James Lehnhoff, Rachel Robinson, Anne Smetak, Jodell Swenson and Mike Thone.

Others present: Ramona Advani, Office of the State Auditor.

Action Item:

A. Covid-19 Housing Assistance

Diane Elias presented a request for approval from the Board to establish a COVID-19 Housing Assistance Program contingent on the Agency receiving a funding allocation of resources from the Coronavirus Relief Fund, pursuant to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. The housing assistance program is expected to provide resources to help prevent evictions, prevent homelessness, and maintain housing stability of individuals and families impacted by COVID-19.

Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers. **Motion:** Stephanie Klinzing moved Approval, Covid-19 Housing Assistance. Seconded by Terri Thao. Roll Call was taken. Motion carries 5-0. All were in favor.

Information Item:

A. Encampments

Commissioner Ho provided the board with an update on the encampment situation in Hennepin County.

Adjournment:

Meeting adjourned at 8:57 a.m.

John DeCramer, Chair

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Item: Approval, Grant Contract Modification, Impact Fund, United Community Action Partnership, Inc.

Staff Contact(s):

Song Lee, 651.296.2291, song.lee.mhfa@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff recommends amending the United Community Action Partnership, Inc. (UCAP) Impact Fund Grant Contract 11-2019-29 to increase the Economic Development and Housing Challenge (Challenge) grant commitment of \$283,890, to a revised Challenge commitment amount of up to \$340,900.

Fiscal Impact:

Economic Development Housing Challenge funds are a state resource, with individual awards structured as grants or loans that do not earn interest for the Agency.

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):

- Background
- Recommendation
- Resolution

Background

The Community Homeownership Impact Fund (Impact Fund) provides funding for single family, owner-occupied housing projects through the annual Single Family Request for Proposals. On November 21, 2019, the Board approved \$283,890 in Economic Development Housing Challenge (Challenge) funds for United Community Action Partnership (UCAP) to develop six new construction single family detached homes in a developing subdivision in the City of Marshall through Resolution No. MHFA 19-071.

Under certain circumstances, awards made through the Impact Fund in 2018 and moving forward may trigger state prevailing wage requirements under Minn. Stat. § 116J.871.

UCAP's development includes single family detached homes on contiguous lots or constructed in the same subdivision and state prevailing wages apply. UCAP obtained applicable prevailing wage rates for the development from the Department of Labor and Industry. The additional costs of implementing prevailing wage resulted in a larger value gap and therefore a need for additional subsidy. UCAP is seeking additional funding for their 2019 award to incorporate prevailing wage into its project.

The Agency entered into a grant contract with UCAP for the initial award of \$283,890 for this project in April 2020. UCAP has indicated that due to the increased costs related to prevailing wage, it will not be able to complete the project without additional funding.

UCAP's Construction Timeline

- Late Summer/Early Fall 2020 – Start construction on the first three bedroom unit and the four bedroom units with construction completion in February 2021. Units will be listed shortly after completion.
- Spring 2021 – Start construction on the two bedroom units and the second three bedroom unit with construction completion in summer of 2021. Units will be listed shortly after completion.

Reducing Costs:

- No increase to their developer fee despite increased total development cost. Developer fee is typically based on a percent of the total development cost.
- The appraised value for the 2-bedroom increased by \$5,000, and the 3-bedroom and 4-bedroom units increased by \$10,000 per unit.

Project Costs and Subsidies

The following summarizes the changes to the project costs due to prevailing wage:

DESCRIPTION	2 BR units		3 BR units		4 BR units	
	NOV 2019 COMMITMENT ¹	FUNDING MODIFICATION ²	NOV 2019 COMMITMENT ¹	FUNDING MODIFICATION ²	NOV 2018 COMMITMENT ¹	FUNDING MODIFICATION ²
Uses (per unit):						
Total Hard Costs	\$169,435	\$185,587	\$195,132	\$211,018	\$205,500	\$226,967
Total Soft Costs	\$35,630	\$35,630	\$39,080	\$39,080	\$42,168	\$42,168
Developer Fee ³	\$18,642	\$18,642	\$21,292	\$21,292	\$22,515	\$22,515
Total Development Cost	\$205,065	\$221,217	\$234,212	\$250,098	\$247,668	\$269,135
Appraised Value/Purchase price	\$160,000	\$165,000	\$175,000	\$185,000	\$210,000	\$220,000
Per Unit Value Gap	\$45,065	\$56,217	\$59,212	\$65,098	\$37,668	\$49,135

Sources (per unit):

Agency: Challenge	\$45,065	\$56,217	\$59,212	\$65,098	\$37,668	\$49,135
Sources Per Unit	\$45,065	\$56,217	\$59,212	\$65,098	\$37,668	\$49,135
Per Unit Value Gap	\$45,065	\$56,217	\$59,212	\$65,098	\$37,668	\$49,135
Number of units	2	2	2	2	2	2
Total Value Gap for all units	\$90,130	\$112,434	\$118,424	\$130,196	\$75,336	\$98,270
Additional Value Gap Needed		\$22,304		\$11,772		\$22,934

¹ 2019 proposals did not include prevailing wage

² Increase in construction costs based on lowest bid

³ Developer Fee is included in the Total Soft Costs

Note: There was an increase in Building Materials and Appliance Allowance that are not due to prevailing wage. As a result, these increases were not included in the analysis above to determine the total additional subsidy needed.

Recommendation

Staff recommends a modification to increase the Challenge Grant Funds commitment by an additional \$57,010, to a revised total Challenge commitment of up to \$340,900 for this award. This amount includes the original Grant Fund award of \$283,890. With the additional funding, UCAP will be able to proceed and complete the project.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, MN 55102**

**RESOLUTION NO. MHFA 20-
Modifying Resolution No. MHFA 19-071**

**RESOLUTION MODIFYING RESOLUTION 19-071 TO REFLECT AN INCREASED AWARD OF
ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE (EDHC)**

WHEREAS, the Minnesota Housing Finance Agency Board (Board), at its November 21, 2019 meeting, previously approved a commitment for the Selection of Projects for the Community Homeownership Impact fund (Impact Fund by its Resolution 19-071); and

WHEREAS, Agency staff has requested certain modifications to Resolution 19-071.

NOW THEREFORE, BE IT RESOLVED:

The Board hereby authorizes Agency staff to make the changes it has requested and enter into grant and loan contracts, for the applications and in the amounts set forth below, subject to the terms and conditions contained herein and in the respective grant and loan agreements:

Applicant	Program Name	Funding Source	Type of Agreement(s)	\$ Amount
United Community Action Partnership, Inc.	Marshall Parkway II Home Ownership Program	EDHC	Grant	\$ 340,900

1. The total award, in addition to the previous award of \$283,890 in Resolution 19-071, will not exceed \$340,900.
2. The execution of a grant contract amendment for the increase in funds awarded by the Agency in form and substance acceptable to the Agency shall occur no later than nine months from the adoption date of this Resolution; all funds must be expended and all reporting of the use of funds shall be completed within 20 months from the effective date of the grant contract amendment; and
3. The applicant and any other parties that Agency staff, in its sole discretion deem necessary, shall execute all such documents relating to the grant contract amendment and to the construction of the homeownership housing units, subject to such terms and conditions as the Agency, in its sole discretion, deems necessary.
4. All other terms and conditions of MHFA Resolution No. 10-071 remain in effect.

Adopted this 23rd day of July 2020

CHAIRMAN

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Item: Approval, Deferred Loan Contract Modification, Impact Fund, American Indian Community Development Corporation

Staff Contact(s):

Song Lee, 651.296.2291, song.lee.mhfa@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff recommends amending the American Indian Community Development Corporation (AICDC) Impact Fund Grant Contract 11-2018-01 to modify the Economic Development and Housing Challenge (Challenge) Deferred Loan Funds to Grant Funds.

Fiscal Impact:

Economic Development Housing Challenge funds are a state resource, with individuals awards structured as grants or loans that do not earn interest for the Agency.

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):

- Background
- Recommendation
- Resolution

Background

The Impact Fund provides funding for single family, owner-occupied housing projects through the annual Single Family Request for Proposals. On November 1, 2018, the Board approved \$150,000 in Economic Development Housing Challenge (Challenge) Deferred Loan Funds for American Indian Community Development Corporation (AICDC) – Pokegama North project to provide Affordability Gap (downpayment assistance) funds to three homebuyers to purchase new homes developed by AICDC in the Ventura Village neighborhood through Resolution No. MHFA 18-060. The Deferred Loan Contract was fully executed by Minnesota Housing and AICDC on January 23, 2019 with an effective date of April 1, 2019.

AICDC has been partnering with the City of Lakes Community Land Trust (CLCLT) to learn more about the community land trust (CLT) model and how they can create an American Indian community land trust (CLT). In the interim, to help AICDC gain experience and build capacity, the three units under the 11-2018-01 award will be placed in CLCLT's CLT. The stewardship will be taken on by CLCLT and once AICDC creates the American Indian CLT, CLCLT will deed the land to AICDC.

Due to the long-term affordability design of CLTs, affordability gap funds are typically awarded to CLT projects as grant funds. As a result, AICDC has requested to switch the 2018 awarded funds from deferred loan funds to grant funds to enable homebuyers to purchase CLT homes and to maintain the long-term affordability of the home.

AICDC is currently in the bidding stage for the project and is shovel ready to start construction on the homes. They anticipate the homes to be sold by the end of the year and placed into the CLT.

Recommendation

Due to the unique partnership between AICDC and CLCLT and with the goal to establish a future American Indian community land trust, staff recommends a modification to change the Economic Development and Housing Challenge (Challenge) funding type from Challenge – Indian Set-Aside Deferred Loan Funds to Challenge – Indian Set-Aside Grant Funds. This modification will be contingent on AICDC providing an agreement demonstrating the roles and expectations of the partnership between AICDC and CLCLT and to ensure that the homes go into a CLT. The awarded amount will remain the same at \$150,000.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, MN 55102**

**RESOLUTION NO. MHFA 20-
Modifying Resolution No. MHFA 18-060**

**RESOLUTION MODIFYING RESOLUTION 18-060 RELATED TO THE AMERICAN INDIAN
COMMUNITY DEVELOPMENT CORPORATION POKEGAMA NORTH PROJECT**

WHEREAS, the Minnesota Housing Finance Agency Board (Board), at its November 1, 2018 meeting, previously approved a commitment for the Selection of Projects for the Community Homeownership Impact fund (Impact Fund by its Resolution 18-060); and

WHEREAS, Agency staff has requested certain modifications to Resolution 18-060 related to the American Indian Community Development Corporation Pokegama North Project.

NOW THEREFORE, BE IT RESOLVED:

The Board hereby authorizes Agency staff to make the changes it has requested and enter into a grant contract, for the applicant and in the amounts set forth below, subject to the terms and conditions contained herein and in the respective grant and loan agreements:

Applicant	Program Name	Funding Source	Type of Agreement(s)	\$ Amount
American Indian Community Development Corporation (AICDC)	Pokegama North	EDHC	Grant	\$ 150,000

1. This modification reflects that the selection for this applicant in MHFA Resolution 18-060 is modified from an EDHC loan to an EDHC grant. The total amount of the selection, \$150,000, remains unchanged from Resolution 18-060.
2. The Deferred Loan Contract was fully executed by Minnesota Housing and AICDC on January 23, 2019 with an effective date of April 1, 2019;; and all funds must be expended and all reporting of the use of funds shall be completed within 20 months from the effective date of the grant or loan contract; and
3. The applicant and any other parties that Agency staff, in its sole discretion deem necessary, shall execute all such documents relating to the grant contract amendment and to the construction of the homeownership housing units, subject to such terms and conditions as the Agency, in its sole discretion, deems necessary.
4. This modification is contingent on the applicant providing the Agency with an agreement demonstrating the roles and expectations of the partnership between AICDC and the City of Lakes Community Land Trust and evidencing to the satisfaction of Agency staff that the homes will be placed into a community land trust.

5. All other terms and conditions of MHFA Resolution No. 18-060 remain in effect.

Adopted this 23rd day of July 2020

CHAIRMAN



Item: Selection and Commitment, Low and Moderate Income Rental Loan (LMIR)
 – Grand Oaks Townhomes, D3818, Baxter

Staff Contact(s):

Caryn Polito, 651.297.3123, caryn.polito@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Agency staff completed the underwriting and technical review of the proposed development and recommends the development for selection and adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of up to \$1,187,000.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:

LMIR loans are funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn interest income on the loan without incurring financing expenses, and the loan will generate additional fee income.

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachments:

- Development Summary
- Resolution
- Resolution Attachment: Term Letter

DEVELOPMENT SUMMARY**SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS**

Project Information			
Development Name	Grand Oaks Townhomes	D#3818	M#18373
Address	14080 Grand Oaks Drive		
City	Baxter	County	Crow Wing
Date of Selection	7/23/2020 (if approved)	Region	Central

A. Project Description and Population Served

- This transaction is the refinance and limited rehabilitation of 24 townhomes in Baxter. The townhomes were built in 2005. There are 14 two-bedroom and 10 three-bedroom units.
- The development provides general occupancy and workforce housing.
- All households have incomes at or below 60% MTSP (multifamily tax subsidy project) limits, under the existing tax credit restrictions.

B. Mortgagor

Sponsor: Central Minnesota Housing Partnership, Inc.	Ownership Entity: Grand Oaks Townhomes of Baxter Limited Partnership
General Partner/Principals: Grand Oaks Townhomes, LLC	Guarantor: Central Minnesota Housing Partnership, Inc.

C. Development Team Capacity Review

The sponsor, Central Minnesota Housing Partnership (CMHP), Inc., has the experience and capacity to complete the project. CMHP has developed and/or rehabbed 678 units of affordable multifamily housing.

The property management company, Central Minnesota Housing Partnership, Inc., was established in 1993 and currently has 29 developments with a total of 678 units of housing of similar size and type. The property management company has the capacity to manage this development.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/ End Loan
Permanent Amortizing	LMIR / HUD Risk Share	Housing Investment Fund (Pool 2)	\$1,187,000	3.72%	0.125%	35	35	End Loan

First Mortgage Loan to Cost: Not applicable

First Mortgage Loan to Value: 57%

E. Significant Changes since Date of Selection

Not applicable

SECTION II: FINAL SOURCES AND USES AND FINANCING DETAILS**A. Project Uses**

Description	Amount	Per Unit
Acquisition or Refinance	\$685,982	\$28,583
Construction Costs	279,485	11,645
Professional Fees	38,965	1,624
Developer Fee	20,000	833
Financing Costs	48,888	2,037
Total Mortgageable Costs	1,073,320	44,722
Reserves	186,620	7,776
Total Development Cost	1,259,940	52,498

B. Permanent Capital Sources

Description	Amount	Per Unit
First Mortgage	\$1,187,000	\$49,459
Existing Reserves	72,940	3,039
Total Permanent Financing	1,259,940	52,498

C. Cost Reasonableness

Not applicable on refinance transactions

SECTION III: UNDERWRITING**A. Rent Grid**

Unit Type	Number of Units	Underwritten Rents (net of utility allowance)	Rent Limit (% of MTSP or AMI)	Income Limit (% MTSP or AMI)	Rental Assistance Source
2 BR	14	\$710	60%	60%	NA
3 BR	10	\$800	60%	60%	NA

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines, unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rates, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- Under the LMIR program, the property will have the following rent and income restrictions, in addition to rent and income restrictions required by other existing funding sources, as applicable:
 - 10 units with rents and incomes at or below 60% MTSP
 - Up to six units may have unrestricted incomes
 - Eight units with incomes at or below 100% of the greater of statewide or area median income

- 14 units with rents at Minnesota Housing determined market rate
- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio (DCR) in year 15 of 1.23.
- The project was underwritten at 3 percent vacancy rate, with 2 percent income and 3 percent expense inflators. Actual vacancy has been 0 percent for the past 2.5 years.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 20-XX

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development: Grand Oaks Townhomes
Sponsors: Central Minnesota Housing Partnership, Inc.
Guarantors: Central Minnesota Housing Partnership, Inc.
Location of Development: Baxter
Number of Units: 24
Amount of LMIR Mortgage: \$1,187,000
(not to exceed)

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the refinance and rehabilitation of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide permanent mortgage loans to the sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2 under the LMIR program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed \$1,187,000; and
2. The interest rate on the permanent LMIR loan shall be 3.72 percent per annum (subject to change, as set forth in the attached Agency term letter dated June 10, 2020, plus 0.125 percent per annum HUD Risk-share Mortgage Insurance Premium, with monthly payments based on a 35-year amortization); and
3. The term of the permanent LMIR loan shall be 35 years; and

4. The loan closing shall occur on or before September 30, 2020; and
5. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The Commissioner is authorized to approve non-material modifications to those terms; and
6. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
7. Central Minnesota Housing Partnership, Inc. shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and
8. The sponsor, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 23rd day of July 2020

CHAIRMAN



400 Wabasha Street North, Suite 400
 St. Paul, MN 55102
 P: 800.657.3769
 F: 651.296.8139 | TTY: 651.297.2361
 www.mnhousing.gov

June 10, 2020

Deanna Hemmesch
 Grand Oaks Townhomes of Baxter Limited Partnership
 37 28th Avenue North, Suite 102
 St. Cloud, MN 56303

RE: Term Letter
 Grand Oaks, Baxter
 MHFA Development #3818, Project #18373

Dear Ms. Hemmesch:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: Grand Oaks Townhomes of Baxter Limited Partnership

**General Partner/
Managing Member:** Grand Oaks Townhomes, LLC

**Development
Description/Purpose:** Refinance and limited scope rehabilitation of a 24-unit affordable housing development located in Baxter, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)
Loan Amount	\$1,187,000
Interest Rate	* 3.72%
Mortgage Insurance Premium (%)	0.125% (first year premium is paid in advance)
Term	35 years
Amortization/Repayment	35 years
Prepayment Provision	No prepayment first 10 years from date of the Note.
Nonrecourse or Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan
Lien Priority	First

*Subject to change. Loan must close by August 31, 2020 for the quoted interest rate to be valid; interest rate may be subject to adjustment after this date at Minnesota Housing's sole discretion.

Origination Fee: LMIR HUD Risk Share Loan: \$25,000
(Payable at loan closing)

Inspection Fee: Not applicable

Guaranty/Guarantor(s): Operations Guaranty to be provided by:

- Central Minnesota Housing Partnership, Inc.

Operating Deficit Reserve Account: Not applicable

Rehab Escrow Account: \$279,486 will be deposited to the rehab escrow account at closing.

Replacement Reserve Account: A replacement reserve will be required in the amount of \$450/unit/annum. The monthly replacement reserve will be \$900. The replacement reserve will be held by Minnesota Housing. \$186,620 will be deposited to the replacement reserve account at closing.

Escrows: Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

HAP or other Subsidy Agreement: Not applicable

Rent and Income Requirements: **LMIR Program**

- 10 units with rents and incomes at or below 60% MTSP
- Up to 6 units may have unrestricted incomes
- 8 units with incomes at or below 100% of the greater of statewide or area median income.
- 14 units with rents at Minnesota Housing determined market.

Commitment to 35 years of affordability from the date of loan closing or until the loans are paid in full.

The EDHC deferred loan will be extended to be coterminous with the new first mortgage. The EDHC rent and income restrictions will be

June 10, 2020
Page 3

extended to be coterminous with the new first mortgage.

**Other Occupancy
Requirements:**

None

Closing Costs:

Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date:

The Terms will expire six months from the date of this letter.

Additional Terms:

- Return on Equity: Annual distributions limited to a maximum of 15% of Borrower's Equity, as referenced in the Workbook.

Other Conditions:

- Appraised rent-restricted value of at least \$1,364,367
- Deferred loan through Greater Minnesota Housing Fund must be re-subordinated and extended to be coterminous with the new first mortgage.

Board Approval:

Commitment of all loans under the LMIR program is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loan.

Not a Binding Contract:

This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Maggie Nadeau at maggie.nadeau@state.mn.us on or before June 24, 2020.

If you have any questions related to this letter, please contact Caryn Polito at 651.297.3123 or by e-mail at caryn.polito@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,




James Lehnhoff
Assistant Commissioner, Multifamily

June 10, 2020

Page 4

AGREED AND ACCEPTED BY:

GRAND OAKS TOWNHOMES OF BAXTER LIMITED
PARTNERSHIP

By: 
Grand Oaks Townhomes, LLC
Its: Chief Manager

Date Accepted: 6/11/2020



Item: Commitment, Low and Moderate Income Rental Loan (LMIR)

- The Crossings Phase II, D7994, Big Lake

Staff Contact(s):

Ted Tulashie, 651.297.3119, ted.tulashie@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

At the May 14, 2019, Minnesota Housing board meeting, the proposed development was selected for further processing under the Low and Moderate Income Rental (LMIR) program. Agency staff completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of up to \$1,703,000. Staff also requests a waiver to the predictive cost model for the development.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:

LMIR loans are funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn interest income on the end loan without incurring financing expenses. The end loan will generate additional fee income.

Meeting Agency Priorities:

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachments:

- Development Summary
- Resolution
- Resolution Attachment: Term Letter

DEVELOPMENT SUMMARY**SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS**

Project Information			
Development Name	The Crossings Phase II	D#7994	M#17830
Address	129 and 145 Henry Road		
City	Big Lake	County	Sherburne
Date of Selection	May 14, 2019	Region	Central

A. Project Description and Population Served

- The project is the new construction of a 38-unit mixed-income development in Big Lake. The two buildings are walk-up, two-story townhomes consisting of 19 two-bedroom, 17 three-bedroom and two four-bedroom units.
- The development will provide general occupancy, workforce housing, and supportive housing for high priority homeless (HPH) families with children.
- All of the households will have incomes at or below 60% MTSP (multifamily tax subsidy project).
- Four units will serve HPH families. These units will all be deeply affordable to households at 30 percent MTSP.
- The construction is nearly complete, and the proposal is on track for closing. Funding of the permanent LMIR loan is estimated to be in October of this year. The first building is fully leased. The second building, which is also leased, will be occupied when completed in July.

B. Mortgagor

Sponsor: Duffy Development Company, Inc.	Ownership Entity: The Crossings II of Big Lake Limited Partnership
General Partner/Principals: DDC The Crossings LLC, JVF The Crossings LLC whose managing member are John Duffy and Jeff Von Feldt	Guarantors: John M. Duffy and Jeffery J. Von Feldt.

C. Development Team Capacity Review

Duffy Development Company, Inc. has the experience and capacity to complete the project. The developer has utilized Minnesota Housing first mortgages, deferred loans, and tax credits with proven success.

The property management company, Perennial Management, LLC, was established in 2005 and currently has 14 developments with a total of 385 units. The property management company has the capacity to manage this development.

Agenda Item: 6.D
Development Summary

The Salvation Army will be the service provider for the HPH units. They have experience providing supportive housing services to the population being served. The necessary components are in place for a successful supportive housing project.

The architectural firm, Cole Group Architects, Inc., and the general contractor, Miller Construction Inc., have successfully completed housing developments and have sufficient capacity to complete the project.

One or more of the development team partners, comprised of the developer, architect, general contractor, and asset management and service provider, consist of 51 percent women or minority owned business enterprises. Perennial Management is a woman owned business enterprise.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/ End Loan
Permanent Amortizing	LMIR	Housing Investment Fund (Pool 2)	\$1,703,000	3.80%	NA*	30 yrs.	N/A	End Loan

*The proposed mortgage is recommended without HUD Risk Share based on the Agency's strong historical relationship with the developer, the strong location and market and HTC timing constraints.

First Mortgage Loan to Cost: 16 percent

First Mortgage Loan to Value: 58 percent

E. Significant Changes since Date of Selection

- Since selection, the project's total development costs remained unchanged.
- The developer obtained a construction loan from a related party and proceeded to close on the construction loan and commence construction without waiting for Minnesota Housing to complete its underwriting and due diligence to enter into an end loan commitment. Rather than enter into an end loan commitment in the midst of construction, the developer was willing to wait until completion of construction to obtain final approval of the permanent loan. The construction is now nearly complete, and the proposal is on track for closing and funding of the permanent LMIR loan estimated in October of this year.
- The assigned staff architect has continually provided oversight since the start of construction and has no concerns.

SECTION II: FINAL SOURCES AND USES AND FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	\$300,000	\$7,895
Construction Costs	\$7,881,935	\$207,419
Environmental Abatement	\$0	\$0
Professional Fees	\$1,021,155	\$28,873
Developer Fee	\$700,000	\$18,421

Financing Costs	\$630,220	\$16,585
Total Mortgageable Costs	\$0	\$0
Reserves	\$196,000	\$5,158
Total Development Cost	\$10,729,310	\$282,350

B. Permanent Capital Sources

Description	Amount	Per Unit
First Mortgage	\$1,703,000	\$44,816
General Partner Cash	\$100	\$3
HTC Equity Proceeds (National Equity Fund)	\$9,007,795	\$237,047
Rebates	\$18,415	\$485
Total Permanent Financing	\$10,729,310	\$282,350

C. Financing Structure

- The development will generate an estimated \$995,436 of annual, 9% tax credits, which will result in \$9,007,795 of equity proceeds from National Equity Fund (NEF). The term of the Land Use Restrictive Agreement (LURA) will be 30 years.
- A construction loan of \$6,300,000, provided by Composition LLC (an affiliate of John Duffy), with interest at 5.0 percent interest was used to bridge Minnesota Housing's LMIR loan and a portion of the equity during the construction period.

D. Cost Reasonableness and Request for Waiver of Predictive Cost Model

Staff asks the board to approve a waiver to the predictive cost model for the development. The budgeted TDC per unit of \$282,350 is 26.11% above the \$223,897 predictive model estimate, which is above the 25% threshold range and will require a waiver from the board. A staff architect reviewed the costs in more detail, partially attributed the large underground garage to the high costs, and found the budgeted costs to be reasonable. Research staff believes that the large size of the underground garage contributes to the higher than expected costs. In addition, the predictive model used to assess 2019 tax credits developments did not have a large sample of up-to-date cost information for townhouses in these areas, making the model less reliable in this case. Research staff used data from RS Means (a provider of industry-wide cost data) and found that RS Means' construction costs for townhouse projects in areas similar to Big Lake are higher than the construction costs from the predictive cost model. Using RS Means construction cost data increases the predicted TDC per unit to \$239,622. Using that data, the budgeted TDC per unit of \$282,350 is 17.83% above the predicted costs.

This project did not claim cost containment points.

SECTION III: UNDERWRITING**A. Rent Grid**

Unit Type	Number	Underwritten Rents (net of utility allowance)	Rent Limit (% MTSP or AMI)	Income Limit (% MTSP or AMI)	Rental Assistance Source
2BR	17	\$969	60% MTSP	60% MTSP	
2BR - HPH	2	\$132	60% MTSP	60% MTSP	

Agenda Item: 6.D
Development Summary

3BR - HPH	2	\$119	60% MTSP	60% MTSP	
3BR	15	\$1,114	60% MTSP	60% MTSP	
4BR	2	\$1,236	60% MTSP	60% MTSP	
Total	38				

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines, unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rates, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- The following restrictions under the Minnesota Housing programs will be as follows:
 - LMIR – 38 units with rents at 60% MTSP and incomes not exceeding 60% MTSP.
 - Housing Tax Credits (HTC) – 38 units with rents at 60% MTSP and incomes not exceeding 60% MTSP for the term of the LURA
 - Four units serving high priority homeless (HPH) are underwritten at the Agency's affordable rent limits for the population since rental assistance is not available in the area. The rents are 90 percent below achievable market rents.
- The project was underwritten at 7 percent vacancy, with 2 percent income and 3 percent expense inflators.
- Source of other income: NA
- National Equity Fund (NEF), the equity provider, is requiring and will hold \$196,000 of operating reserves that will be funded out of the second and third equity installments.
 - Vacancy: On a proforma basis, the project breaks even at 10.81 percent vacancy rate in year one. In year 15, the property breaks even at 8.22 percent vacancy rate.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 20-XX

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	The Crossings Phase II
Sponsors:	Duffy Development Company, Inc.
Guarantors:	John M. Duffy Jeffery J. Von Feldt
Location of Development:	Big Lake, MN
Number of Units:	38
Amount of LMIR Mortgage: (not to exceed)	\$1,703,000

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the construction of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a permanent mortgage loan to the sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2 under the LMIR Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed \$1,703,000; and
2. The interest rate on the permanent LMIR loan shall be 3.80 percent per annum (subject to change, as set forth in the attached Agency term letter), with monthly payments based on a 30 year amortization; and
3. The term of the permanent LMIR loan shall be 30 years; and

4. The LMIR Loan shall close on or before December 31, 2020 ; and
5. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The Commissioner is authorized to approve non-material modifications to those terms; and
6. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
7. John M. Duffy and Jeffery J. Von Feldt shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming stabilized expenses) for three successive months; and
8. John M. Duffy and Jeffery J. Von Feldt shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and
9. The sponsor, the general contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 23rd day of July 2020

CHAIRMAN

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400 Wabasha Street North, Suite 400
St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | **TTY:** 651.297.2361
www.mnhousing.gov

July 15, 2020

Mr. John Duffy
 Duffy Development Company, Inc.
 The Crossing II of Big Lake Limited Partnership
 12708 Wayzata Boulevard, Suite 400
 Minnetonka, MN 55305

RE: Term Letter
 The Crossing Phase II, Big Lake
 Development #D7994, Project #M17830

Dear Mr. Duffy,

Minnesota Housing Finance Agency (“Minnesota Housing”) staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the “Terms”). The Terms are subject to Minnesota Housing’s Board of Directors’ approval and meeting all underwriting standards, delivery of required due diligence, satisfactory loan documentation, and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: The Crossing II of Big Lake Limited Partnership

General Partner(s): DDC The Crossing II LLC and
 JVF The Crossing II LLC

Development Description/Purpose: New Construction of a 38-unit affordable development located in Big Lake, Minnesota

Minnesota Housing Loan Type/Terms

Program:	Low and Moderate Income Rental Program (LMIR)
Loan Amount:	\$1,703,000
Interest Rate	* 3.80%
Mortgage Insurance Premium (%):	NA (1 st year premium is paid in advance)
Term:	30 years
Amortization/Repayment:	30 years
Prepayment Provision:	No prepayment first 10 years from commencement of amortization
Nonrecourse or Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan
Lien Priority:	First

*Subject to change. Interest rate to be set at time the Minnesota Housing Board approves the loan commitment and will be locked for 6 months, after which it may be reset at Minnesota Housing's sole discretion.

Origination Fee:	LMIR Loan: \$62,550 (payable at the earlier of loan commitment or loan closing)
Inspection Fee:	\$16,360 (payable at the earlier of loan commitment or loan closing)
Guaranty:	Repayment and operations guaranty to be provided by: <ul style="list-style-type: none">• John M. Duffy and Jeffery J. Von Feldt
Operating Deficit Reserve Account:	\$51,090 to be funded on the day of closing by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.
Replacement Reserve Account:	Replacement reserve will be required in the amount of 450/unit/annum. The monthly replacement reserve will be \$1,425. The replacement reserve will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established at time of permanent loan closing and held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
HAP or Other Subsidy Agreement:	NA
Rent and Income Requirements:	LMIR 38 units with rents at 60% MTSP and incomes not exceeding 60% MTSP.
Other Occupancy Requirements:	NA
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	This term letter will expire on the earlier of (i) six months from the date of this letter or (ii) Board approval of a loan commitment.
Additional Terms:	Not Applicable
Other Conditions:	NA

July 15, 2020
Page 3 of 3

Not a Binding

Contract:

This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Allison Ehlert at allison.ehlert@state.mn.us on or before July 24, 2020.

If you have any questions related to this letter, please contact Ted Tulashie at 651-297-3119 or by e-mail at ted.tulashie@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

The Crossing II of Big Lake Limited Partnership

By: _____
John M. Duffy, President

Date Accepted: _____

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Item: Approval – Waiver Request, Housing Trust Fund (HTF) Program Owner Inspection Certification

Staff Contact(s):

Ellie Miller, 651.215.6236, ellie.miller@state.mn.us

Joel Salzer, 651.296.9829, joel.salzer@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests a waiver to the language in the Housing Trust Fund (HTF) Program Guide to temporarily allow subsidy proration to be based on move-in date and not based on the date that the unit received approval from Minnesota Housing. This waiver request would apply to housing placements that occurred only between March 19, 2020 and May 31, 2020 and is in response to the COVID-19 pandemic.

Fiscal Impact:

N/A

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☐ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- Background
- Housing Trust Fund Program Guide Section 5.03

Background

Minnesota Housing uses HTF state appropriations to contract with local providers across the state to administer rental assistance programs. HTF primarily serves households with extremely low incomes (30% of AMI or less) and are referred to local providers through Coordinated Entry with a focus on serving high priority homeless (HPH) populations. The HTF program is authorized by Minnesota Statute 462A.201. The HTF Program Guide, adopted by the Minnesota Housing board, provides additional direction on program operations and requirements to local administrators. Waivers to conditions contained in the HTF Program Guide require board approval.

The authorizing statute requires that units with HTF rental assistance comply with the local housing maintenance code or housing quality standards (HQS) established by the United States Department of Housing and Urban Development (HUD). Section 5.03 of the HTF Program Guide requires a physical inspection by the local administrator or a contracted housing professional *before* rental assistance can be paid.

Due to the Minnesota peacetime emergency, which is in response to the COVID-19 pandemic, some local administrators expressed concerns about their ability to meet the initial physical inspection requirement as outlined in the program guide. To help address their concerns, the board approved an amendment to Section 5.03 of the HTF Program Guide in April 2020 that allows staff to approve exceptions to the physical inspection requirement in unusual circumstances. For example, an administrator could complete a virtual HQS inspection or submit a self-certification that will be verified with a physical inspection at a later date. While the amendment provided necessary flexibility, a timing issue related to approving the exception has become evident.

Section 5.03 of the HTF Program Guide states that “In the event that the unit does not pass inspection or receive an exception from Minnesota Housing on or by the date that the Subsidy is scheduled to begin, the Rental Assistance payment shall be prorated based on the date that the unit passes inspection.” Between the start of the peacetime emergency, when HTF providers experienced difficulty completing physical inspections and when the HTF Program Guide was amended to allow for alternatives, there were two HTF providers that allowed 26 households to move into units before a physical inspection was completed and/or before Minnesota Housing was able to approve an alternative method to meet the inspection requirement. We are working with HTF providers to identify all instances of this issue.

Because the program guide requires that the rent be prorated to the *later* of passing the inspection requirement or receiving an exception approval from Minnesota Housing, there is a rental assistance gap between when the resident moved into the unit and when the HTF provider is eligible to be reimbursed for providing the rental assistance. These gaps will create a financial burden for the rental administrators and/or the households if a waiver is not provided.

All of the HTF providers have since been informed of the program guide amendment and are now working with Minnesota Housing staff to meet the inspection requirements before residents move into a unit. However, to address this gap, staff requests a waiver from the HTF Program Guide to allow the subsidy proration to be based on the resident move-in date instead of the exception approval. The HTF provider must still demonstrate that the unit was in compliance with the local housing maintenance code or HUD’s HQS when the household moved into the unit.

The waiver would be limited to housing placements that occurred between March 19, 2020 and May 31, 2020. March 19 was the start of the peacetime emergency, and May 6 was when the new program guidance was issued to HTF providers.

HTF Program Guide Excerpt for Reference**5.03 Inspection and Leasing of Units**

Housing Quality Standards. All units to be leased under the Housing Trust Fund and Ending Long-Term Homelessness Initiative Fund Rental Assistance Program must be inspected by the administrator or a contracted housing professional qualified to perform HQS inspections. (Qualifications may include training, certification, licensure and/or experience including, but not limited to, HQS Certification, UPCS Certification, Building Code inspection, Licensed Contractor, Licensed Property Manager, or other comparable training and/or experience, as approved by Minnesota Housing.) An inspection form approved by HUD must be used for reporting and kept in the tenant's file. Units must pass the inspection before the administrator makes a Rental Subsidy payment to the landlord on behalf of the tenant. If the local jurisdiction has a housing maintenance code and the unit is locally certified on a regular basis, Minnesota Housing may approve a process that involves utilizing the local certification to satisfy the HQS requirement with the purpose of ensuring that the unit provides safe, sanitary and decent housing conditions. Exceptions may be considered for unusual circumstances, fully documented in the Participant file, and approved in writing by Minnesota Housing, so long as Minnesota Housing has adequate assurances that the unit satisfies HQS or the applicable local standard.

In the event that the unit does not pass inspection or receive an exception from Minnesota Housing on or by the date that the Subsidy is scheduled to begin, the Rental Assistance payment shall be prorated based on the date that the unit passes inspection. For example, if a household moved into a unit September 1 but the unit does not pass inspection until September 15, then the maximum rental assistance payment allowed is for 15 days. Administrators should determine the prorated figure by dividing the rental assistance subsidy by 30 days and then multiplying the daily subsidy by the number of eligible days for payment.



Item: Selection and Commitment, Low and Moderate Income Rental Loan (LMIR)

– Minnesota Vistas, D5961, St. Paul, MN

Staff Contact(s):

Caryn Polito, 651.297.3123, caryn.polito@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Agency staff completed the underwriting and technical review of the proposed development and recommends the development for selection and adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of up to \$3,400,000.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:

LMIR loans are funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn interest income on the loan without incurring financing expenses, and the loan will generate additional fee income.

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachments:

- Background
- Development Summary
- Resolution
- Resolution Attachment: Term Letter

BACKGROUND

This transaction was originally approved by the Minnesota Housing board at the June 25, 2020, board meeting. Since that time, the payoff amount from existing lender US Bank has increased and the final amount of the payoff will not be known until 5 days before the closing. The loan amount requested of up to \$3,400,000 allows for an increase of up to \$330,000 from the original request of \$3,070,000. The additional loan amount will cover a larger prepayment penalty from US Bank. Along with this change, staff recommends removing the HUD Risk-Share requirement from the loan.

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information			
Development Name	Minnesota Vistas	D#5961	M#18329
Address	46 4 th Street SE		
City	St. Paul	County	Ramsey
Date of Selection	7/23/2020	Region	Metro

A. Project Description and Population Served

- This transaction is the refinance and limited rehabilitation of 60 units on floors nine through 12 of the historic Minnesota Building in downtown St. Paul. The building was built originally in 1928 and was extensively rehabbed in 2010. There are eight studio, 49 one-bedroom, and three two-bedroom units.
- The development provides general occupancy and workforce housing.
- The households will have incomes at or below 50% or 60% MTSP.

B. Mortgagor

Sponsor: Sand Properties, Inc.	Ownership Entity: Minnesota Vistas, LLC
General Partner/Principals: Minnesota Vistas Partners, LLC	Guarantor: Sand Properties, Inc. and John E. Belisle

C. Development Team Capacity Review

The sponsor, Sand Properties, Inc., has the experience and capacity to complete the project. The developer has utilized tax credits, Section 8, HOME, and supportive housing funding sources in the past.

The property management company, Sand Property Management, LLC, was established in 2011 and currently has 39 developments with 1,481 units of housing of similar size and type. The property management company has the capacity to manage this development.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/ End Loan
Permanent Amortizing	LMIR	Pool 2	\$3,400,000	3.425%	n/a	35	35	End Loan

First Mortgage Loan to Cost: Not applicable **First Mortgage Loan to Value:** 61%

E. Significant changes since Date of Selection

Since the loan was selected on June 25, 2020, the borrower requested an increase to the first mortgage loan amount. The increase in first mortgage proceeds is to cover an expected increase in the prepayment penalty on the existing first mortgage. Additionally, the loan will no longer be insured by HUD. This decision was made based upon the necessity for an “up to” loan amount until just prior to closing, which is not compatible with HUD loan approval processes and the strength of the borrower. This change will allow the loan to proceed to closing in a timely manner.

SECTION II: FINAL SOURCES AND USES AND FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	\$3,133,602	\$52,227
Construction Costs	103,148	1,719
Professional Fees	40,000	667
Developer Fee	45,000	750
Financing Costs	78,250	1,304
Total Mortgageable Costs	3,400,000	56,667
Total Development Cost	3,400,000	56,667

B. Permanent Capital Sources

Description	Amount	Per Unit
First Mortgage	\$3,400,000	\$56,667
Total Permanent Financing	3,400,000	56,667

C. Cost Reasonableness

- Not applicable

SECTION III: UNDERWRITING**A. Rent Grid**

Unit Type	Number of Units	Net Rent*	Rent Limit (%MTSP or AMI)	Income Limit (% MTSP or AMI)	Rental Assistance Source
Studio	6	\$854	50%	35%	
Studio	2	\$742	50%/FMR	50%/FMR	
1 BR	4	\$907	50%	50%	
1 BR	35	\$1,095	60%	60%	
1 BR	10	\$885	60%/FMR	60%/FMR	
2 BR	3	\$1,302	60%	60%	

*Net rents are the underwriting rents (not maximum rent allowed and net of a utility allowance)

B. Feasibility Summary

All projects are underwritten within the Agency’s underwriting guidelines, unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses,

vacancy rates, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- Under the LMIR Program, the property will have the following rent and income restrictions, in addition to rent and income restrictions required by other existing funding sources:
 - 24 units with rents and incomes at or below 60% MTSP
 - Up to 15 units may have unrestricted incomes
 - 21 units with incomes at or below 100% of the greater of statewide or area median income.
 - 36 units with rents at Minnesota Housing determined market
- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio (DCR) in year 15 of 1.49. This ratio decreased from 1.65 with the previous loan amount; however, debt coverage is still strong and exceed the Agency requirement of DCR of at least 1.0 in year 15.
- The project was underwritten at 10% vacancy, with 2% income and 3% expense inflators.
- \$103,148 will be deposited into a reserve account for immediate capital needs that will be addressed within 12 months of closing.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 20-

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development: Minnesota Vistas
Sponsors: Sand Properties, Inc.
Guarantors: Sand Properties, Inc. and John E. Belisle
Location of Development: Saint Paul
Number of Units: 60
Amount of LMIR Mortgage: \$3,400,000
(not to exceed)

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the refinance and rehabilitation of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide permanent mortgage loans to the sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2 under the LMIR Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed \$3,400,000; and
2. The interest rate on the permanent LMIR loan shall be 3.425 percent per annum (subject to change, as set forth in the attached Agency term letter dated April 29, 2020, with monthly payments based on a 35-year amortization; and
3. The term of the permanent LMIR loan shall be 35 years; and
4. The loan closing shall occur on or before September 30, 2020; and

5. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The Commissioner is authorized to approve non-material modifications to those terms; and
6. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
7. Sand Properties, Inc. and John E. Belisle shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and
8. The sponsor, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 23rd day of July 2020

CHAIRMAN

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400 Wabasha Street North, Suite 400
St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | **TTY:** 651.297.2361
www.mnhousing.gov

July 15, 2020

Jamie Thelen
 Minnesota Vistas, LLC
 366 South 10th Ave
 Waite Park, MN 56387

RE: Amendment to Term Letter dated April 29, 2020
 Minnesota Vistas, Saint Paul
 MHFA Development #5961, Project #18329

Dear Mr. Thelen:

Minnesota Housing Finance Agency (“Minnesota Housing”) staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the “Terms”). The Terms are subject to Minnesota Housing’s Board of Directors’ approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: Minnesota Vistas, LLC

**General Partner/
 Managing Member:** Minnesota Vistas Partners, LLC

**Development
 Description/Purpose:** Refinance and limited scope rehabilitation of a 60-unit affordable housing development located in Saint Paul, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR)
Loan Amount	Up to \$3,400,000
Interest Rate	* 3.425%
Mortgage Insurance Premium (%)	n/a
Term	35 years
Amortization/Repayment	35 years
Prepayment Provision	No prepayment first 10 years from date of the Note.
Nonrecourse or Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan
Lien Priority	First

*Subject to change. Loan must close by August 21, 2020 for the quoted interest rate to be valid; interest rate may be subject to adjustment after this date at Minnesota Housing's sole discretion.

Origination Fee: LMIR Loan: \$68,000
(Payable at the earlier of loan commitment or loan closing)

Inspection Fee: Not applicable

Guaranty/Guarantor(s): Operations Guaranty to be provided by:

- Sand Properties, Inc.
- John Belisle

Operating Deficit Reserve Account: Not applicable

Operating Cost Reserve Account: Not applicable

Replacement Reserve Account: A replacement reserve will be required in the amount of \$450/unit/annum. The monthly replacement reserve will be \$2,250. The replacement reserve will be held by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

HAP or other Subsidy Agreement: Not applicable

Rent and Income Requirements: **LMIR Program**

- 24 units with rents and incomes at or below 60% MTSP
- Up to 15 units may have unrestricted incomes
- 21 units with incomes at or below 100% of the greater of statewide or area median income.
- 36 units with rents at Minnesota Housing determined market.

Commitment to 35 years of affordability from the date of loan closing.

The EDHC deferred loan will be extended to be coterminous with the

July 15, 2020
Page 3

new first mortgage. The EDHC rent and income restrictions will be extended to be coterminous with the new first mortgage.

Other Occupancy Requirements:

None

Closing Costs:

Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date:

The Terms will expire six months from the date of this letter.

Additional Terms:

- Return on Equity: Annual distributions limited to a maximum of 15% of Borrower's Equity, as referenced in the Workbook.
- \$10,000 annual payment on EDHC deferred loan

Other Conditions:

- Deferred loans through the City of St. Paul must be re-subordinated and extended to be coterminous with the new first mortgage.

Board Approval:

Commitment of all loans under the LMIR program is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loan.

Not a Binding Contract:

This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Caryn Polito at caryn.polito@state.mn.us on or before July 29, 2020.

If you have any questions related to this letter, please contact Caryn Polito at 651.297.3123 or by e-mail at caryn.polito@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

MINNESOTA VISTAS, LLC

By: _____

Its: _____

Date Accepted: _____

Item: Authorizing the issuance of Additional Series of State Appropriation Bonds (Housing Infrastructure), and Approving the Execution and Delivery of Related Documents

Staff Contact(s):

Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Debbi Larson, 651.296.8183, debbi.larson@state.mn.us

Paula Rindels, 651.296.2293, paula.rindels@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Agency staff is preparing to issue additional State Appropriation Bonds (Housing Infrastructure), the proceeds of which will be used to finance loans for eligible housing infrastructure projects. The attached resolution outlines the parameters under which the Agency can proceed to issue additional Series of Housing Infrastructure Bonds under the legislative authority granted for Housing Infrastructure Bonds during the 2019 legislative session and specifies the additional projects that may be financed by Housing Infrastructure Bonds. The Agency currently anticipates issuing approximately \$110 million of Housing Infrastructure Bonds in August of 2020, which would utilize the vast majority of the legislative authority granted for Housing Infrastructure Bonds up to and through the 2019 legislative session. Utilization of any legislative authority for the issuance of Housing Infrastructure Bonds provided in the 2020 legislative session will be subject to a new authorizing bond resolution. The attached Preliminary Official Statement describes the contemplated upcoming issuance of Housing Infrastructure Bonds.

Fiscal Impact:

As with all Housing Infrastructure Bonds, the debt service on these State Appropriation Bonds will be paid from an annual appropriation to the Agency's trustee from the State of Minnesota so there is no direct financial impact to the Agency from this bond issuance. The Agency will earn an origination fee at the closing of each loan financed from the proceeds of the Housing Infrastructure Bonds.

Meeting Agency Priorities:

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- Preliminary Official Statement
- Authorizing Resolution

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 11, 2020**NEW ISSUE**

RATINGS: Moody's: "___"
S&P: "___"
(See "Ratings" herein.)

This Official Statement has been prepared by the Minnesota Housing Finance Agency (the "Agency") to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, terms used with initial capital letters on this cover page have the meanings given in this Official Statement.

**\$110,440,000*****Minnesota Housing Finance Agency****\$18,705,000* State Appropriation Bonds (Housing Infrastructure), 2020 Series A (Non-AMT)****\$39,945,000* State Appropriation Bonds (Housing Infrastructure), 2020 Series B (Non-AMT)****\$6,010,000* State Appropriation Bonds (Housing Infrastructure), 2020 Series C (Non-AMT)****\$45,780,000* State Appropriation Bonds (Housing Infrastructure), 2020 Series D (Non-AMT)****Dated Date: Date of Delivery****Due: As shown on inside front cover**

Tax Exemption Interest on the Series Bonds is not includable in gross income for federal income tax purposes or taxable net income of individuals, estates and trusts for Minnesota income tax purposes, except that no opinion is expressed as to that exclusion of interest on any 2020 Series C Bond or 2020 Series D Bond for any period during which that Series Bond is held by a person who is a "substantial user" of a facility financed with the proceeds of those Series Bonds or a "related person" within the meaning of Section 147(a) of the Code. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations.")

Redemption The Agency may redeem all or a portion of the Series Bonds by optional redemption as described under "The Series Bonds."

Security THE SERIES BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY, AND EQUALLY AND RATABLY, FROM SPECIFIED TRANSFERS EXPECTED TO BE MADE BY THE STATE OF MINNESOTA (THE "STATE") PURSUANT TO LEGISLATION PROVIDING FOR THE APPROPRIATION OF THOSE TRANSFERS FROM THE GENERAL FUND OF THE STATE TO THE AGENCY (THE "HOUSING INFRASTRUCTURE STATE APPROPRIATIONS"), AND MONEYS AND SECURITIES HELD FROM TIME TO TIME IN THE FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE (AS HEREIN DEFINED) AND PLEDGED TO THAT PAYMENT. THE AGENCY HAS NOT PLEDGED ANY OTHER REVENUES OR ASSETS, NOR THE FULL FAITH AND CREDIT OF THE AGENCY, TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES BONDS. THE AGENCY HAS NO TAXING POWER. THE SERIES BONDS ARE NOT INDEBTEDNESS OR ANOTHER OBLIGATION OF THE STATE AND ARE NOT PUBLIC DEBT OF THE STATE. THE STATE HAS NOT PLEDGED ITS FULL FAITH AND CREDIT AND TAXING POWER TO PAYMENT OF THE SERIES BONDS OR TO TRANSFERS TO THE AGENCY OF THE HOUSING INFRASTRUCTURE STATE APPROPRIATIONS. PURSUANT TO MINNESOTA LAW, THE MINNESOTA LEGISLATURE MAY REDUCE OR REPEAL THE HOUSING INFRASTRUCTURE STATE APPROPRIATIONS IN THEIR ENTIRETY. THE HOUSING INFRASTRUCTURE APPROPRIATIONS ARE ALSO SUBJECT TO REDUCTION THROUGH UNALLOTMENT. See "Nature of Obligation and Source of Payment."

Interest Payment Dates February 1 and August 1, commencing February 1, 2021, and, for any Series Bonds to be redeemed, the redemption date.

Denominations \$5,000 or any multiple thereof.

Closing/Settlement September 3, 2020* through the facilities of DTC in New York, New York.

Bond Counsel Kutak Rock LLP.

Underwriters' Counsel Cozen O'Connor.

Trustee Wells Fargo Bank, National Association, in Minneapolis, Minnesota.

Book-Entry-Only System The Depository Trust Company. See Appendix B hereto.

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

J.P. Morgan**RBC Capital Markets****Piper Sandler & Co.****Wells Fargo Securities**

The date of this Official Statement is ___, 2020.

* Preliminary; subject to change.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS***2020 Series A Bonds (Non-AMT)**

<u>Due (August 1)*</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP**</u>
	\$,000				
	,000				
	,000				
	,000				
	,000				
	,000				
	,000				
	,000				
	,000				

2020 Series B Bonds (Non-AMT)

<u>Due (August 1)*</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP**</u>
	\$,000				
	,000				
	,000				

2020 Series C Bonds (Non-AMT)

<u>Due (August 1)*</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP**</u>
	\$,000				
	,000				
	,000				
	,000				
	,000				
	,000				
	,000				
	,000				
	,000				
	,000				
	,000				

* Preliminary, subject to change.

** CUSIP numbers have been assigned by an organization not affiliated with the Agency and are included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS*[illegible]

* Preliminary, subject to change.

*** CUSIP numbers have been assigned by an organization not affiliated with the Agency and are included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

None of the Minnesota Housing Finance Agency, the State of Minnesota or the Underwriters has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the State and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT
relating to
\$110,440,000*
MINNESOTA HOUSING FINANCE AGENCY
STATE APPROPRIATION BONDS (HOUSING INFRASTRUCTURE)
2020 SERIES A, 2020 SERIES B, 2020 SERIES C AND 2020 SERIES D

This Official Statement (which includes the cover page, inside front cover and Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the “Agency”), created by Minnesota Statutes, Chapter 462A, as amended (the “Act”), the State of Minnesota (the “State”), and the State Appropriation Bonds (Housing Infrastructure), 2020 Series A (the “Series 2020A Bonds”), State Appropriation Bonds (Housing Infrastructure), 2020 Series B (the “Series 2020B Bonds,” and collectively with the Series 2020A Bonds, the “Series 2020AB Bonds”), State Appropriation Bonds (Housing Infrastructure), 2020 Series C (the “Series 2020C Bonds”), and State Appropriation Bonds (Housing Infrastructure), 2020 Series D (the “Series 2020D Bonds,” and collectively with the Series 2020C Bonds, the “Series 2020CD Bonds;” the Series 2020AB Bonds and the Series 2020CD Bonds are collectively referred to herein as the “Series Bonds”), in connection with the offering and sale of the Series Bonds by the Agency and for the information of all who may become initial Owners of the Series Bonds.

The Agency is issuing the Series Bonds pursuant to the Act, an Indenture of Trust, dated as of August 1, 2013, as supplemented by an Ninth Supplemental Indenture of Trust, to be dated as of September 1, 2020 (as so supplemented, and as amended and supplemented from time to time in accordance with its terms, the “Indenture”), each between the Agency and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The Agency has issued 19 series of its State Appropriation Bonds (Housing Infrastructure), 2013 Series A and 2013 Series B (the “Series 2013 Bonds”), its State Appropriation Bonds (Housing Infrastructure), 2014 Series A and 2014 Series B (the “Series 2014 Bonds”), its State Appropriation Bonds (Housing Infrastructure), 2015 Series A, 2015 Series B and 2015 Series C (the “Series 2015 Bonds”), its State Appropriation Bonds (Housing Infrastructure), 2016 Series A and 2016 Series B (the “Series 2016AB Bonds”) and 2016 Series C (the “Series 2016C Bonds”), its State Appropriation Bonds (Housing Infrastructure), 2017 Series A (the “Series 2017A Bonds”), its State Appropriation Bonds (Housing Infrastructure), 2018 Series A (the “Series 2018A Bonds”), 2018 Series B (the “Series 2018B Bonds”), 2018 Series C and 2018 Series D (the “Series 2018CD Bonds”), 2019 Series A and 2019 Series B (the “Series 2019AB Bonds”), and 2019 Series C and 2019 Series D (the “Series 2019CD Bonds;” and collectively with the Series 2013 Bonds, the Series 2014 Bonds, the Series 2015 Bonds, the Series 2016AB Bonds, the 2016 Series C Bonds, the Series 2017A Bonds, the Series 2018A Bonds, the Series 2018B Bonds, the Series 2018CD Bonds and the Series 2019AB Bonds, the “Prior Series Bonds”) under the Indenture in the original aggregate principal amount of \$182,050,000, of which \$151,930,000 are outstanding. The Series Bonds, the Prior Series Bonds and any additional bonds (the “Additional Bonds”) issued pursuant to the Indenture are equally and ratably secured thereunder and are herein called the “Bonds.”

The Indenture includes definitions of capitalized terms used in this Official Statement, some of which are reproduced in Appendix A. The summaries and references in this Official Statement to the Act and the Indenture and other documents are only outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references in this Official Statement to the Act and the Indenture are qualified in their entirety by reference to the Act and Indenture, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Indenture.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State, established in 1971 pursuant to the Act. Section 462A.37 of the Act authorizes the Agency to issue its bonds to fund loans, or grants with respect to manufactured home parks (“Housing Infrastructure Loans”), to pay for all or a portion of the costs of the construction, acquisition and rehabilitation of supportive housing for individuals and families who are without a permanent residence with a preference to be given for developments serving certain individuals and families; all or a

* Preliminary; subject to change.

portion of the costs of the acquisition and rehabilitation of abandoned or foreclosed property to be used for affordable rental housing and the construction of rental housing on that property where the existing structures will be demolished or removed; that portion of the costs of the acquisition of abandoned or foreclosed property that is attributable to the land to be leased by community land trusts to low and moderate income homebuyers; the costs of acquisition, improvement and infrastructure of manufactured home parks; all or a portion of the costs of acquisition, rehabilitation, adaptive reuse, or new construction of senior housing; all or a portion of the costs of the acquisition and rehabilitation or refinancing of federally assisted rental housing, including refunding outstanding bonds issued by the Agency or another governmental unit; and all or a portion of the costs of the construction, acquisition, and rehabilitation of supportive housing for girls and women to provide them protection from and the means to escape exploitation and trafficking.

The global outbreak of the coronavirus COVID-19 ("COVID-19") and measures taken by federal, state and local governments in response thereto are impacting individuals and businesses in a manner that to an unknown extent will have negative effects on economic activity across the country and the State. For descriptions of certain of these measures, their impacts on the Agency and the Agency's responses, see "The Agency—COVID-19 Economic Disruption" herein. [For descriptions of certain measures taken by the State, their impacts on the State and the State's responses, see "_____" in the Preliminary Official Statement of the State of Minnesota dated [], 2020 (the "[], 2020 State Preliminary Official Statement") with respect to its \$[],000 General Obligation State Bonds, which is attached hereto as Appendix E.]

The Agency is issuing the Series Bonds to provide money to fund Housing Infrastructure Loans and to pay costs of issuance of the Series Bonds. (See "Estimated Sources and Uses of Funds.") For a description of the developments expected to be financed with proceeds of the Series Bonds, see "The Developments" herein. The Series Bonds are secured, on parity with the Prior Series Bonds and Additional Bonds, if any, hereafter issued under the Indenture, by a pledge made by the Agency under the Indenture of all amounts appropriated to the Agency by the State pursuant to Section 462A.37 of the Act (the "Housing Infrastructure State Appropriations"). Section 462A.37 of the Act provides that amounts necessary to pay principal of and premium, if any, and interest on housing infrastructure bonds issued pursuant to Section 462A.37 of the Act, and the fees, charges and expenses related thereto, are appropriated annually from the State general fund (the "General Fund") to the Commissioner of Management and Budget for transfer to the Agency. The amount appropriated with respect to the Series 2013 Bonds and the Series 2014 Bonds, collectively, will not exceed \$2,200,000 annually for transfer to the Agency through July 15, 2035. The amount appropriated with respect to Series 2015 Bonds, the Series 2016AB Bonds, the Series 2017A Bonds and the Series 2018A Bonds, collectively, will not exceed \$6,400,000 annually for transfer to the Agency through July 15, 2037. The amount appropriated with respect to the Series 2016C Bonds and the Series 2018B Bonds, collectively, will not exceed \$800,000 annually for transfer to the Agency through July 15, 2038. The amount appropriated with respect to the Series 2018CD Bonds and the Series 2019AB Bonds, collectively, will not exceed \$2,800,000 annually for transfer to the Agency through July 15, 2040. The amount appropriated with respect to the Series 2019CD Bonds, the Series 2020AB Bonds, the Series 2020C Bonds and Additional Bonds, collectively, in an aggregate principal amount up to \$80,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Additional Bonds for transfer to the Agency annually beginning July 15, 2020 through July 15, 2041. The amount appropriated with respect to the Series 2020D Bonds and Additional Bonds not included in the principal amount described in the preceding sentence, collectively, in an aggregate principal amount up to \$60,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Additional Bonds for transfer to the Agency annually beginning July 15, 2022 through July 15, 2043. Upon the issuance of the Series Bonds, there will be \$____,000* of authorized but unissued debt supported by the Housing Infrastructure State Appropriations (\$3,910,000 of previously authorized but unissued debt having been either canceled or not supported by the remaining portion of the appropriation limit).

The Series Bonds are special, limited obligations of the Agency. The Series Bonds are not general obligations of the Agency and the Agency has not pledged its general funds to the payment of the Series Bonds or the interest thereon. The Agency will pay principal of, premium, if any, and interest on the Series Bonds solely from the Trust Estate established pursuant to the Indenture, consisting principally of the Housing Infrastructure State Appropriations. In no event will the Agency pay principal of, premium, if any,

* Preliminary; subject to change.

or interest on the Series Bonds from the general revenues or assets of the Agency. The Act provides that the Bonds are not public debt of the State. The State has not pledged its full faith and credit and taxing powers to payment of the Series Bonds or to payment of the Housing Infrastructure State Appropriations. Pursuant to Minnesota law, the Minnesota Legislature (the “Legislature”) may reduce or repeal the Housing Infrastructure State Appropriations in their entirety. The Housing Infrastructure State Appropriations are also subject to unallotment under Minnesota Statutes, Section 16A.152. See “Nature of Obligation and Source of Payment” and “Appendix A – Summary of Certain Provisions of the Indenture.”

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chairman of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chair — Term expires January 2024, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha* — *Ex officio*, St. Paul, Minnesota – State Auditor

Melanie Benjamin, Member — Term expires January 2021, Onamia, Minnesota – Consultant

Craig Klausling, Member — Term expires January 2023, Roseville, Minnesota – Attorney

Stephanie Klinzing, Member — Term expires January 2023, Elk River, Minnesota – Writer and Publisher

Stephen Spears, Member — Term expires January 2022, Plymouth, Minnesota – Banker

Terri Thao, Vice Chair — Term expires January 2024, St. Paul, Minnesota – Program Director

Staff

The staff of the Agency presently consists of approximately 265 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the programs associated with the developments to be funded with Housing Infrastructure Loans are as follows:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner must be confirmed by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Rachel Robinson — Deputy Commissioner, appointed March 2019. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund, a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

Kevin Carpenter — Chief Financial Officer, appointed effective March 2016. In this position, Mr. Carpenter leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. Prior to this position, Mr. Carpenter was the Chief Financial Officer at the City of Minneapolis from May 2011 to November 2015, and also had significant tenure in various senior financial and operating positions at RBC Capital Markets, LLC. He previously was an investment banker at RBC Capital Markets, LLC and at Lehman Brothers. Mr. Carpenter earned a Master's Degree in Business Administration from Harvard University Business School and a Bachelor of Arts degree in Government from Dartmouth College.

Debbi Larson — Director of Finance appointed effective December 2019. Ms. Larson was Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to that position, she was Director of Finance and Information Technology for a subsidiary of Taylor Corporation and responsible for domestic and international locations and, prior to that, was the Chief Financial Officer for a division of the Minnesota Department of Corrections. Ms. Larson previously held various accounting positions of increasing responsibility. Ms. Larson holds a Bachelor of Science degree with a concentration in Accounting from the University of Phoenix, and an MMBA (accelerated MBA program) Executive Leadership certification from the University of St. Thomas.

Anne Smetak — General Counsel, appointed effective June 2020. Ms. Smetak has been a member of the Agency's legal team since April 2016 and served as Deputy General Counsel for the Agency from July 2019 to June 2020. Her experience prior to joining the Agency includes corporate litigation, affordable housing preservation as a legal services attorney, and clinical teaching roles at the Washington College of Law and the George Washington University School of Law. Ms. Smetak earned a law degree and a Master of Laws degree from The George Washington University School of Law and holds a Bachelor of Arts degree in Political Science from Kenyon College.

James Lehnhoff – Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

The Agency's offices are located at 400 Wabasha Street North, Saint Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's Investor Relations Representative may be reached at the Agency's general telephone number. The Agency's website address is <http://www.mnhousing.gov>. No portion of the Agency's website is incorporated into this Official Statement.

Agency Continuity of Operations Plan

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency's ability to conduct its business. A prolonged disruption in the Agency's operations could have an adverse effect on the Agency's financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Agency has developed a Continuity of Operations Plan (the "Plan"). The Plan is designed to (i) provide for the continued execution of the mission-essential functions of the Agency and minimize disruption if an emergency threatens, interrupts or incapacitates the Agency's operations, (ii) provide Agency leadership with timely direction, control and coordination before, during and after an emergency or similar event, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency or similar event. No assurances can be given that the Agency's efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations.

Cybersecurity

The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties, including technologically sophisticated and well-resourced actors, attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency's Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency's Business Technology Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency's cybersecurity systems and infrastructure.

Despite its efforts, no assurances can be given that the Agency's security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used by perpetrators are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber attacks have not had a material impact on the Agency's financial condition, results or business; however, the Agency is not able to predict future attacks or their severity. The results of any attack on the Agency's computer and information technology systems could impact its operations for an unknown period of time, damage the Agency's digital networks and systems, and damage the Agency's reputation, financial performance,

and customer or vendor relationships. Such an attack also could result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency's reputation and relationships could adversely affect the Agency's ability to conduct its programs and operations in the future.

COVID-19 Economic Disruption

The recent global outbreak of COVID-19, a respiratory disease declared to be a pandemic (the "Pandemic") by the World Health Organization, is affecting the national capital markets and may negatively impact the State's housing market and its overall economy. The threat from the Pandemic is being addressed on a national, federal, state and local level in various forms, including executive orders and legislative actions.

On March 13, 2020, the President of the United States declared a national emergency with respect to the Pandemic. In addition, the United States Congress recently enacted several COVID-19-related bills, including the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law on March 27, 2020, which provides over \$2 trillion of direct financial aid to American families, payroll and operating expense support for small businesses, and loan assistance for distressed industries, as well as providing funds to and directing the Federal Reserve System to support the capital markets.

With respect to multifamily housing mortgage loans which are (a) insured, guaranteed, supplemented or assisted in any way by the federal government (including any HUD program or related program) or administered by any federal agency or (b) purchased or securitized by Fannie Mae or Freddie Mac (collectively, "Federal Multifamily Loans"), the CARES Act also provides that, if a Federal Multifamily Loan was current as of February 1, 2020 and is not for temporary financing (i.e., not a construction loan), then until the earlier of the termination of the Pandemic or December 31, 2020, the borrower may request a 30-day payment forbearance, and up to two additional 30-day forbearances. During the period of any such forbearance, the borrower may not evict any tenant solely for nonpayment of rent. Such relief follows actions previously taken by the Federal Housing Finance Agency, which announced that Fannie Mae and Freddie Mac would offer mortgage loan forbearance to multifamily property owners on the condition that they suspend all evictions for renters who cannot pay their rent because of COVID-19. That forbearance is available for up to six months. The Agency's Housing Infrastructure Loans are not affected by the relief provisions of the CARES Act and do not provide security for the repayment of the Bonds, including the Series Bonds. (See "Nature of Obligation and Source of Payment" and "The Developments") The Agency has provided loans under its other programs, some of which loans are covered by the relief provisions of the CARES Act, and has granted forbearance approvals.

The CARES Act directs the Federal Reserve Bank to provide liquidity to the financial system through a new facility to purchase certain new issuances of securities by eligible issuers, including housing finance agencies and other state and local governments. Such injection of liquidity follows recent actions by the Federal Reserve Bank, including the purchase of U.S. Treasury securities and the Government National Mortgage Association ("GNMA"), Fannie Mae and Freddie Mac mortgage-backed securities, facilitating the flow of credit to municipalities by expanding its Money Market Mutual Fund Liquidity Facility to include a wider range of securities, including municipal variable rate demand notes (such as variable rate demand obligations of housing finance agencies).

On March 13, 2020, the Governor of the State declared a peacetime emergency with respect to the Pandemic. By various executive orders, which have the force and effect of law during a peacetime emergency, the Governor has directed: residents of the State to first stay at home and shelter in place and subsequently permitting residents to conduct limited activities outside the home; the closure of schools for the remainder of the current school year; the closure and then partial re-opening of restaurants, bars, other public accommodations and certain non-essential businesses; and the suspension of evictions and lease terminations; in each instance subject to further change. The Governor has extended the peacetime emergency beyond the initial 30-day period, may extend it further and may issue additional executive orders pursuant to his authority during that emergency. The peacetime emergency, since extended beyond 30 days, may be terminated by majority vote of both houses of the legislature of the State.

An executive order of the Governor designated the operation of the Agency as a critical service and Agency personnel, though almost exclusively teleworking, are continuing all operations in order to provide the Agency's

programs (see “Agency Continuity of Operations Plan” above). At this time the Agency cannot predict (i) the duration or extent of the Pandemic; (ii) the duration or expansion of any foreclosure or eviction moratorium affecting the Agency’s ability to foreclose and collect on delinquent mortgage loans; (iii) the number of mortgage loans that will be in forbearance or default as a result of the Pandemic and subsequent federal, state and local responses thereto, including the CARES Act; (iv) whether and to what extent the Pandemic may disrupt the local or global economy, real estate markets, manufacturing, or supply chain, or whether any of those types of disruption may adversely impact the Agency or its operations; (v) whether or to what extent the Agency or other government agencies may provide additional deferrals, forbearances, adjustments, or other changes to payments on mortgage loans; or (vi) the effect of the Pandemic on the State budget, or whether any such effect may adversely impact the Agency or its programs. The Agency is monitoring and assessing the impact on its programs, operations and financial position, including its ability to continue to make and finance mortgage loans.. However, the continuation of the Pandemic and the resulting containment and mitigation efforts could have a material adverse effect on the Agency’s programs, operations and finances.

THE SERIES BONDS

General

The Series Bonds will be fully registered bonds issued in the denominations of \$5,000 or any integral multiple thereof of single maturities. The Series Bonds will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for each series of the Series Bonds. Wells Fargo Bank, National Association, Minneapolis, Minnesota, serves as Trustee under the Indenture. Interest on the Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, which interest is to be redistributed by DTC. Principal of the Series Bonds will be paid at maturity or earlier redemption upon surrender at the principal corporate trust office of the Trustee. (See “Appendix B — Book-Entry-Only System.”)

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer. The Series Bonds mature on the dates and in the amounts set forth on the inside front cover hereof, subject to prior redemption as hereinafter described.

The Series Bonds will bear interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2021, and, for any Series Bonds then to be redeemed, on any redemption date, at the respective annual rates set forth on the inside front cover hereof until payment of the principal or redemption price of the Series Bonds. Interest on the Series Bonds is calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to the Owners of record in the bond registration books maintained by the Trustee as of the Record Date.

Optional Redemption

The Agency may redeem Series Bonds maturing on or after August 1, 2031,^{*} at its option, in whole or in part, on any date on or after August 1, 2030,^{*} from the stated maturities and in the principal amounts selected by the Agency, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the date of redemption, without premium.

General Redemption Provisions

The Trustee must mail notice of redemption, first-class postage prepaid, not less than 30 days before the Redemption Date, to each Owner of Series Bonds to be redeemed; but neither the failure to mail notice to the Owner of any particular Series Bond nor any defect in any notice so mailed will affect the validity of the proceedings for redemption of any Series Bond not affected by that failure or defect.

If notice of redemption has been given and funds sufficient to pay the redemption price are on deposit with the Trustee, on the Redemption Date the Series Bonds to be redeemed become due and payable at the Redemption

^{*} Preliminary; subject to change.

Price specified and on and after that date (unless the Agency defaults in the payment of the Redemption Price) those Bonds will cease to bear interest.

NATURE OF OBLIGATION AND SOURCE OF PAYMENT

General

The Bonds (including the Series Bonds) are special, limited obligations of the Agency. The Agency expects that the Housing Infrastructure State Appropriations will be transferred on July 15 of each year from the General Fund of the State to the Agency by the Commissioner of Management and Budget pursuant to Section 462A.37 of the Act and has pledged the Housing Infrastructure State Appropriations pursuant to the Indenture to the payment of the Bonds. The Bonds are not general obligations of the Agency and the Agency has not pledged its general revenues or assets to the payment of the Bonds or the interest thereon. The Agency will pay principal of, premium, if any, and interest on the Bonds solely from the Trust Estate established pursuant to the Indenture, consisting principally of the Housing Infrastructure State Appropriations. In no event will the Agency make payments with respect to the Bonds from the general revenues or assets of the Agency, which include appropriations from the State other than the Housing Infrastructure State Appropriations pursuant to Section 462A.37 of the Act. The Bonds will not constitute indebtedness or another obligation of the State and are not public debt of the State. The State will not pledge its full faith, credit and taxing power to payment of the Bonds or the interest thereon or to annual transfers of Housing Infrastructure State Appropriations to the Agency. The Agency does not expect that any revenues from the Housing Infrastructure Loans will be available to pay debt service on the Bonds, and has not pledged payments on the Housing Infrastructure Loans, if any, to pay principal of or interest on the Bonds.

In the opinion of Bond Counsel, Housing Infrastructure State Appropriations from the General Fund to the Agency do not require further State or other approval except as expressly provided in the Act. See “—The Housing Infrastructure State Appropriations” and “—Certain Risks With Respect to Payment of Housing Infrastructure State Appropriations” hereunder.

The Indenture provides that, as received each year, all Housing Infrastructure State Appropriations paid by the State to the Agency will be remitted by the Agency to the Trustee for deposit into the Bond Fund held under the Indenture and that amounts in the Bond Fund are irrevocably pledged to and must be used for the payment of principal of and premium (if any) and interest on the Bonds, as and when principal, premium and interest become due and payable. The Trustee may also use moneys in the Bond Fund in excess of the amount necessary to pay the principal of and interest on Outstanding Bonds in the current Fiscal Year to pay fees, charges and expenses with respect to the Bonds, except as otherwise required under the Indenture upon occurrence of Event of Default and with respect to advances, counsel fees and other expenses reasonably made or incurred by the Trustee (see “Appendix A — Summary of Certain Provisions of the Indenture — Application of Revenues and Other Moneys After Event of Default” and “—Compensation of Trustee”). Upon written direction of the Agency, the Trustee may use moneys in the Bond Fund to purchase Bonds maturing or subject to redemption on a sinking fund payment date on either of the next two interest payment dates after that purchase, provided that the Bonds are delivered to the Trustee for cancellation upon purchase.

The Indenture further provides that proceeds of the Series Bonds will be deposited by the Agency in the Program Fund (the “Program Fund”). The money in the Program Fund will be held in trust by the Trustee and applied to the funding of certain Housing Infrastructure Loans and payment of costs of issuance of the Series Bonds. The Trustee is to create specific accounts within the Program Fund, upon receipt of an Agency Certificate, to fund specific Housing Infrastructure Loans. See “Appendix A — Summary of Certain Provisions of the Indenture.”

The Housing Infrastructure State Appropriations

Section 462A.37 of the Act provides that the Agency may issue up to \$315 million of housing infrastructure bonds in one or more series to which Housing Infrastructure State Appropriations may be pledged. To qualify as housing infrastructure bonds, the Bonds must be “qualified 501(c)(3) bonds” (within the meaning of Section 145(a) of the Internal Revenue Code of 1986, as amended (the “Code”)), finance qualified residential rental projects within the meaning of Section 142(d) of the Code or not be “private activity bonds” (within the meaning of Section 141(a) of the Code). The Bonds may be issued for the purpose of making loans, or grants with respect to

manufactured home parks, on terms and conditions the Agency deems appropriate, to finance all or a portion of the costs of the construction, acquisition and rehabilitation of supportive housing for individuals and families who are without a permanent residence with a preference to be given for developments serving certain individuals and families; all or a portion of the costs of the acquisition and rehabilitation of abandoned or foreclosed property to be used for affordable rental housing and the construction of rental housing on that property where the existing structures will be demolished or removed; that portion of the costs of the acquisition of abandoned or foreclosed property that is attributable to the land to be leased by community land trusts to low and moderate income homebuyers; the costs of acquisition, improvement and infrastructure of manufactured home parks; all or a portion of the costs of acquisition, rehabilitation, adaptive reuse, or new construction of senior housing; and all or a portion of the costs of the acquisition and rehabilitation or refinancing of federally assisted rental housing, including refunding outstanding bonds issued by the Agency or another governmental unit, and for other authorized purposes under the Act. For a description of the developments expected to be financed with proceeds of the Series Bonds, see “The Developments” herein.

Section 462A.37 of the Act requires the Agency to annually certify to the Commissioner of Management and Budget the actual amount of principal of and premium, if any, and interest on each series of Bonds issued pursuant to the Act payable in that year and the fees, charges and expenses related to the Bonds. The amount so certified with respect to the Series 2013 Bonds and the Series 2014 Bonds, collectively, may not exceed \$2,200,000 annually for appropriation on July 15 of each year until July 15, 2035. The amount so certified with respect to the Series 2015 Bonds, the Series 2016AB Bonds, the Series 2017A Bonds and the Series 2018A Bonds, collectively, may not exceed \$6,400,000 annually, for appropriation on July 15 of each year until July 15, 2037. The amount so certified with respect to the Series 2016C Bonds and the Series 2018B Bonds, collectively, may not exceed \$800,000 annually for appropriation on July 15 of each year until July 15, 2038. The amount so certified with respect to the Series 2018CD Bonds and the Series 2019AB Bonds, collectively, may not exceed \$2,800,000 annually for appropriation on July 15 of each year until July 15, 2040. The amount so certified with respect to the Series 2019CD Bonds, the Series 2020AB Bonds, the Series 2020C Bonds and Additional Bonds, collectively, in an aggregate principal amount up to \$80,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Additional Bonds annually for appropriation on July 15 of each year beginning July 15, 2020 through July 15, 2041. The amount so certified with respect to the Series 2020D Bonds and Additional Bonds not included in the principal amount described in the preceding sentence, collectively, in an aggregate principal amount up to \$60,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Additional Bonds annually for appropriation on July 15 of each year beginning July 15, 2022 through July 15, 2043. Appropriations will be made from the General Fund to fund transfers by the Commissioner of Management and Budget to the Agency to pay debt service on the Outstanding Bonds and related fees, charges and expenses. The amounts appropriated to the Agency pursuant to Section 462A.37 of the Act are the “Housing Infrastructure State Appropriations.”

Under the Indenture, the Agency has covenanted to annually certify to the Commissioner of Management and Budget the actual amount of principal of and premium, if any, and interest on each series of Bonds issued pursuant to the Act payable in that year and the fees, charges and expenses related to the Bonds.

The Act contains no provision establishing any right of Owners of Outstanding Bonds to require the Commissioner of Management and Budget to make the specified Housing Infrastructure State Appropriations or limiting the ability of the State to amend or repeal Section 462A.37 of the Act or, by other legislative, executive or judicial action, to adversely affect the amount or timely transfer of Housing Infrastructure State Appropriations.

Certain Risks With Respect to Payment of Housing Infrastructure State Appropriations

Section 462A.37 of the Act provides for annual Housing Infrastructure State Appropriations of funds from the General Fund to the Agency for payment of Outstanding Bonds, conditioned upon certification by the Agency to the Commissioner of Management and Budget of the actual amount of annual debt service on each series of Outstanding Bonds. The Housing Infrastructure State Appropriations constitute an appropriation for future years that does not require any further action by the Legislature. However, pursuant to Minnesota law, the Legislature may reduce or repeal a standing appropriation in its entirety. The Legislature is prohibited from acting to bind any future Legislature. **Any of: (i) a legislative reduction or repeal of the Housing Infrastructure State Appropriations established by Section 462A.37 of the Act; (ii) an unallotment of, or other executive action affecting, the**

Housing Infrastructure State Appropriations established by Section 462A.37 of the Act; or (iii) a partial government shutdown affecting the practical ability of the Commissioner of Management and Budget to make transfers of Housing Infrastructure State Appropriations to the Agency could prevent the anticipated full and timely payment of interest and principal then due on the Series Bonds. In addition, prospective secondary market purchaser concerns that such an event might occur could materially and adversely affect the market price of the Outstanding Series Bonds even if the event does not in fact occur.

Reduction or Repeal of Appropriation.

Housing Infrastructure State Appropriations. The Housing Infrastructure State Appropriations constitute a standing appropriation that does not require any further action by the Legislature for payments to be made in future years. However, as provided by Minnesota law, the Legislature may reduce or repeal a standing appropriation entirely. The State cannot give any assurance that the Legislature will not reduce or repeal the Housing Infrastructure State Appropriations.

Appropriations Other Than Housing Infrastructure State Appropriations. Certain State appropriations (other than the Housing Infrastructure State Appropriations) for limited payment obligations of the State are not standing appropriations and, thus, require action by the Legislature on an annual or biennial basis. The State's obligation to make payments on these State or other obligations is not a general or moral obligation indebtedness of the State; rather the State is obligated to make payments only to the extent moneys are appropriated from time to time for that purpose. In the past, the Legislature has failed to make appropriations as necessary to pay in full debt service on State or other obligations, including in 1980 and 1981, when an appropriation to the Minnesota State Zoological Board (the "Zoo Board") of net revenues of a zoo ride facility were insufficient to allow the Zoo Board to make payments pursuant to an installment purchase agreement, which payments had been assigned to holders of certificates of participation in that agreement. In 1989, the Legislature declined to appropriate funds to St. Cloud State University as necessary to make certain payments under an energy services agreement, which payments had been assigned to an indenture trustee as security for the payment of principal of and interest on industrial development revenue bonds issued by the City of St. Cloud, Minnesota. As previously stated, the limited payments obligations of the State described in this paragraph were not standing appropriations and, unlike the Series Bonds, required affirmative action by the Legislature on an annual or biennial basis for State payments to be made in respect of said obligations.

Unallotment. The Housing Infrastructure State Appropriations are subject to executive unallotment, in whole or in part, under Minnesota Statutes, Section 16A.152. Article XI, Section 6 of the Minnesota Constitution requires a balanced budget for the State. Pursuant to that requirement, Minnesota law requires the Governor to submit a proposed State budget to the Legislature by the end of January of each odd-numbered year for that year and the ensuing even-numbered year (those years together, the "biennium"). On July 1 of each odd-numbered year, the Commissioner of Management and Budget transfers to the Budget Reserve Account within the General Fund (the "Budget Reserve") any amounts specifically appropriated by law to the Budget Reserve. Pursuant to Minnesota Statutes, Section 16A.152, if the Commissioner of Management and Budget determines that probable receipts for the General Fund will be less than anticipated, and that the amount available for the remainder of the biennium will be less than needed, the Commissioner of Management and Budget, with the approval of the Governor, may use amounts in the Budget Reserve to balance the State budget. Section 16A.152 further permits the Commissioner of Management and Budget, with the approval of the Governor, to "unallot" funds as follows:

- (a) An additional deficit shall, with the approval of the Governor, and after consulting the Legislative Advisory Commission, be made up by reducing unexpended allotments of any prior appropriation or transfer. Notwithstanding any other law to the contrary, the Commissioner of Management and Budget is empowered to defer or suspend prior statutorily created obligations which would prevent effecting such reductions.
- (b) If the Commissioner of Management and Budget determines that probable receipts for any other fund, appropriation, or item will be less than anticipated, and that the amount available for the remainder of the term of the appropriation or for any allotment period will be less than needed, the Commissioner of Management and Budget shall notify the agency concerned and then reduce the amount allotted or to be allotted so as to prevent a deficit.

(c) In reducing allotments, the Commissioner of Management and Budget may consider other sources of revenue available to recipients of State appropriations and may apply allotment reductions based on all sources of revenue available.

During and after the legislative sessions, revenues are updated to reflect legislative actions that have a direct impact on State revenues and changes in economic conditions that may materially affect the results of previous revenue forecasts. If, during the course of the fiscal year, the Commissioner of Management and Budget discovers that probable revenues will be less than anticipated, the Commissioner, with the approval of the Governor, is required to reduce allotments as necessary to balance expenditures and revenues forecast for the then current biennium. The Governor also has the authority to request legislative actions to provide additional sources of revenue, but those requests do not relieve the Commissioner of Management and Budget of his obligation to reduce allotments to State agencies.

The executive branch has imposed unallotments in prior fiscal years, but not with respect to the payment of debt service. Over the past thirty years, the unallotment procedure has been used as follows: \$195 million of unallotments in 1980; in 1981 local government aid payments were unallotted in November and December but were reallocated and paid by February 26, 1982; \$109 million of unallotments in 1986; \$281 million of unallotments in 2003; \$271 million of unallotments in 2008; and \$2.68 billion of unallotments in 2009. The 2009 unallotment was unique in that it resulted from the passage of appropriation bills for the fiscal biennium, but the then-Governor vetoed a tax bill that would have balanced the biennial budget by raising revenues and shifting payments. In litigation challenging the 2009 unallotments, the Minnesota Supreme Court concluded that unallotment could not be used to balance the budget for an entire biennium when balanced spending and revenue has not been agreed upon by the legislature and the Governor. The legislature and Governor subsequently agreed to a balanced budget for the biennium. While appropriations from the General Fund for payment of debt service have not previously been unallotted, the State cannot give any assurance that unallotment of the Housing Infrastructure State Appropriations will not be imposed in any future year.

Other Risks. There can be no assurance that other events outside the control of the Commissioner of Management and Budget, such as a temporary State government shutdown, will not affect the ability of the Commissioner of Management and Budget to make timely payments of principal of and interest on the Series Bonds.

The Bonds are not general obligations of the Agency and the Agency has not pledged its general funds or assets to the payment of the Bonds or the interest thereon. The Agency will pay principal of, premium, if any, and interest on the Bonds solely from the Trust Estate established pursuant to the Indenture, consisting principally of Housing Infrastructure State Appropriations. In no event will the Agency make payments with respect to the Bonds from its general revenues, which include appropriations from the State other than the Housing Infrastructure State Appropriations pursuant to Section 462A.37 of the Act. The Bonds will not constitute indebtedness or another obligation of the State and are not public debt of the State. The State will not pledge its full faith, credit and taxing power to payment of the Bonds or the interest thereon or to the annual transfers of Housing Infrastructure State Appropriations to the Agency.

Additional Bonds

In addition to the Series Bonds described herein, the Agency may in its discretion issue up to \$___,000^{*} in principal amount of Additional Bonds to provide funds to make additional Housing Infrastructure Loans and pay costs of issuance of such Additional Bonds and other purposes authorized by Section 462A.37 of the Act. Any Additional Bonds are to be authorized by a resolution of the Agency and prescribed in a supplemental indenture (a "Supplemental Indenture") executed by the Agency and the Trustee and which, when so issued, authorized and prescribed, will be secured by the Indenture and the Trust Estate, consisting primarily of Housing Infrastructure State Appropriations, on a parity with the Bonds then Outstanding under the Indenture; provided that no Additional Bonds are to be issued under the Indenture or secured by the Trust Estate on a parity with the Outstanding Bonds unless there is delivered to the Trustee the following: (a) An Agency resolution authorizing the issuance of the Additional Bonds and the sale thereof to the purchaser or purchasers named therein; (b) an Agency order directing

^{*} Preliminary; subject to change.

the authentication of a specified principal amount of Additional Bonds of a specified series and the delivery thereof to or upon the order of the purchaser or purchasers named therein upon payment of the purchase price set forth therein; (c) an Agency Certificate to the effect that the principal and interest required to be paid on the Outstanding Bonds, including the Additional Bonds to be issued, in the current and any future Fiscal Year, does not exceed the maximum amount of Housing Infrastructure State Appropriations authorized by the Act in any Fiscal Year; (d) an opinion of Bond Counsel (i) stating that all conditions precedent provided in the Indenture relating to the authentication and delivery of the Additional Bonds have been complied with, and (ii) stating that the Additional Bonds whose authentication and delivery are then applied for, when issued and executed by the Agency and authenticated and delivered by the Trustee, will be the valid and binding special, limited obligations of the Agency in accordance with their terms and entitled to the benefits of and secured by the lien of the Indenture, subject to customary qualifications and assumptions; (e) an executed counterpart of the Supplemental Indenture creating the Additional Bonds; and (f) written confirmation from each Rating Agency that issuance of the Additional Bonds will not impair the then existing rating on Outstanding Bonds.

DEBT SERVICE REQUIREMENTS ON OUTSTANDING BONDS

The following table sets forth, for each Fiscal Year of the State ending June 30, the amounts to be required for payment of interest on (net of capitalized interest) and principal at maturity or mandatory sinking fund redemption of the Prior Series Bonds and the Series Bonds (assuming no optional redemption of those Bonds) and which are required to be paid from the Housing Infrastructure State Appropriations:

Fiscal Year <u>Ending June 30</u>	<u>Prior Series Bonds</u>		<u>Series Bonds</u>		<u>Total*</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal*</u>	<u>Interest*</u>	
2021			\$ ---	\$ ---	
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					

Under the Indenture, Housing Infrastructure State Appropriations are to be credited to the Bond Fund and applied to the payment of principal of and interest on Outstanding Bonds before being applied to the payment of fees, charges and expenses with respect to the Bonds. (See “Appendix A—Summary of Certain Provisions of the Indenture—Bond Fund.”)

* Preliminary; subject to change. Assumes the Series Bonds mature as described herein and bear interest at an average annual interest rate of ____%.

STATE FINANCIAL INFORMATION

The Bonds (including the Series Bonds) are special, limited obligations of the Agency. Specified transfers expected to be made by the State pursuant to Section 462A.37 of the Act are pledged pursuant to the Indenture for the payment of the Outstanding Bonds. (See “Nature of Obligation and Source of Payment.”) Potential purchasers and Owners of the Series Bonds are advised to consider the likelihood of their full and timely receipt of principal and interest payments on the Series Bonds when due on the basis of the financial condition of the State, rather than that of the Agency.

Basic financial statements for the State for the Fiscal Year ended June 30, 2019, as well as certain additional information concerning the State, are included in the [], 2020 State Preliminary Official Statement, which is attached hereto as Appendix E. The State most recently released certain revenue and expenditure forecasts prepared by the Department of Management and Budget in February 2020. Information concerning this forecast is included in the [], 2020 State Preliminary Official Statement in Appendix B thereto under the caption “Biennium Budgets –February 2020 Forecast – Current Biennium.” The next official forecast of revenue and expenditures will be prepared in November 2020 and will be released in early December 2020.

The November 2020 forecast of revenue and expenditures will be available on the Minnesota Management and Budget website (www.mn.gov/mmb/) and on the Municipal Securities Rulemaking Board’s internet repository named “Electronic Municipal Market Access” (“EMMA”) filed with respect to the Series Bonds. Any amendment or supplement to the basic financial statements of the State, and any subsequent financial statements published by the State and made publicly available in a State official statement or revenue and expenditure forecast required by statute or an official quarterly economic update published by the State on the Minnesota Management and Budget website and also filed on EMMA with respect to the Series Bonds, to and including a date 25 days following the “end of the underwriting period” (as defined in Rule 15c2-12 of the Securities and Exchange Commission) applicable to the Series Bonds offered hereby, will be deemed to be incorporated by reference in this Official Statement from the date made publicly available. No other information on the Minnesota Management and Budget website or on EMMA is incorporated into this Official Statement. Any statement contained in any document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently publicly available document that also is, or is deemed to be, incorporated by reference herein modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

THE DEVELOPMENTS

The Series Bonds are being issued to provide money for the Agency to fund Housing Infrastructure Loans for the purposes permitted to be funded pursuant to Section 462A.37 of the Act.

One Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as East Conifer, in Bemidji, Minnesota. The development will consist of a four building two-story multifamily townhome development with 24 residential units, with support services provided by Beltrami County, Minnesota. Twelve of the units will be reserved for persons with behavioral health needs. The development will be acquired and constructed by East Conifer Estates, LLC, a Minnesota limited liability company, or an affiliate thereof or successor thereto, as its initial owner, operator or manager, the sole member of which will be Headwaters Housing Development Commission, a Minnesota nonprofit corporation, whose registered address is in Bemidji, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of construction of a multifamily housing development, to be known as Gwayako Bimaadizi, in Mahnomen, Minnesota. The development will consist of a single building two-story multifamily apartment development with 24 residential units, with support services provided by White Earth Human Services, Naytahwaush, Minnesota. The development will be acquired and constructed by Mahnomen, LLC, a Minnesota limited liability company, whose sole member is White Earth Rediscovery Center, a Minnesota nonprofit corporation, whose registered address is in White Earth, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and substantial rehabilitation of a 100 percent project-based Section 8 multifamily housing development, known as Colonial Square Apartments, in Mankato, Minnesota. The development will consist of a single building multi-story multifamily apartment development with 77 residential units. The development will be acquired and rehabilitated by Tapestry Colonial Square, LLLP, a Delaware limited liability limited partnership, as its initial owner, operator or manager, the general partner of which will be Tapestry Colonial Development, LLC, a Delaware limited liability company, whose registered address is in Bloomington, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Mayowood Apartments, in Rochester, Minnesota. The development will consist of a single building multi-story multifamily apartment development with 30 residential units, with support services provided by Adapta, Rochester, Minnesota. All of the units will be reserved for persons with behavioral health needs. The development will be acquired and constructed by Mayowood Developer, LLC, a Minnesota limited liability company, or an affiliate thereof or successor thereto, as its initial owner, operator or manager, the sole member of which will be Center City Housing Corp., a Minnesota nonprofit corporation whose registered address is in Duluth, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Birchwood Apartments, in Duluth, Minnesota. The development will consist of a single building multi-story multifamily apartment development with 30 residential units, with support services provided by Center City Housing Corp., Duluth, Minnesota. All of the units will be reserved for persons with behavioral health needs. The development will be acquired and constructed by Birchwood Apartments of Duluth Developer, LLC, a Minnesota limited liability company, or an affiliate thereof or successor thereto, as its initial owner, operator or manager, the sole member of which will be Center City Housing Corp., a Minnesota nonprofit corporation whose registered address is in Duluth, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and substantial rehabilitation of a 100 percent project-based Section 8 multifamily housing development, known as Parkview Heights, in Owatonna, Minnesota. The development will consist of an eight building two-story multifamily townhouse development with 48 residential units, with support services provided by Transitional Housing of Steele County, Owatonna, Minnesota. The development will be acquired and rehabilitated by TCHDC Parkview Heights, LLC, a Minnesota limited liability company, as its initial owner, operator or manager, the sole member of which will be Twin Cities Housing Development Corporation, a Minnesota nonprofit corporation whose registered address is in Saint Paul, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Anishinabe III Supportive Housing, in Minneapolis, Minnesota. The development will consist of a single building multi-story multifamily apartment development with 40 residential units, with support services provided by American Indian Community Development Corporation, Minneapolis, Minnesota. All of the units will be reserved for persons with behavioral health needs. The development will be acquired and constructed by a Minnesota limited liability company to be formed by Anishinabe III LLC, a Minnesota limited liability corporation, the sole member of which will be American Indian Community Development Corporation, a Minnesota nonprofit corporation, and PPL Anishinabe III LLC, a Minnesota limited liability corporation, the sole member of which will be Project for Pride and Living, Inc., a Minnesota nonprofit corporation, each with a registered address in Minneapolis, Minnesota, or an affiliate of or successor in interest to such entities, as its initial owner, operator or manager.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition, substantial rehabilitation and adaptive reuse of a multifamily housing development, to be known as Bimosedaa, in Minneapolis, Minnesota. The development will consist of a single building multi-story multifamily apartment development with 48 residential units, with support services provided by Avivo, Minneapolis, Minnesota. All of the units will be reserved for persons with behavioral health needs. The development will be acquired and rehabilitated by Bimosedaa Housing Limited Partnership, a Minnesota limited partnership, or an affiliate thereof or successor thereto, as its initial owner, operator or manager, the general partner of which will be Bimodedaa LLC, a Minnesota limited liability company, whose registered address is in Minneapolis, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Bloom Lake Flats, in Minneapolis, Minnesota. The development will consist of a single building multi-story multifamily development with 42 residential units, with support services provided by Clare Housing, Minneapolis, Minnesota. Twenty-one of the units will be reserved for persons with behavioral health needs. The development will be acquired and constructed by PPL Lake LLC, a Minnesota limited liability company, or an affiliate thereof or successor thereto, as its initial owner, operator or manager, the sole member of which will be Project for Pride in Living, Inc., a Minnesota nonprofit corporation whose registered address is in Minneapolis, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition, substantial rehabilitation and adaptive reuse of a multifamily housing development, to be known as Exodus II, in Minneapolis, Minnesota. The development will consist of a single building multi-story multifamily apartment development with 167 residential units, with support services provided by Catholic Charities of the Archdiocese of St. Paul and Minneapolis, Minnesota. The development will be acquired and rehabilitated by an entity to be formed by and affiliated with Catholic Charities of the Archdiocese of St. Paul and Minneapolis, a Minnesota nonprofit corporation, as its initial owner, operator or manager, whose registered address is in Minneapolis, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Sabathani Senior Housing, in Minneapolis, Minnesota. The development will consist of a single building multi-story multifamily apartment development for seniors with 48 residential units, with support services provided by Simpson Housing, Minneapolis, Minnesota. The development will be acquired and constructed by Sabathani Senior Housing, LLC, a Minnesota limited liability company, or an affiliate thereof or successor thereto, as its initial owner, operator or manager, the sole member of which will be Sabathani Community Center, a Minnesota nonprofit corporation, whose registered address is in Minneapolis, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Snelling Yards Senior Housing, in Minneapolis, Minnesota. The development will consist of a single building multi-story multifamily apartment development for seniors with 100 residential units, with support services provided by Ecumen, Shoreview, Minnesota. The development will be acquired and constructed by Ecumen Minneapolis Snelling Yards, LP, a Minnesota limited partnership, or an affiliate thereof or successor thereto, as its initial owner, operator or manager, the general partner of which will be Ecumen Minneapolis Snelling Yards, LLC, a Minnesota limited liability company, whose registered address is in Shoreview, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of substantial rehabilitation of a multifamily housing development, known as American House, in Saint Paul, Minnesota. The development will consist of a single building multi-story multifamily apartment development with 69 residential units, with support services provided by Avivo, Minneapolis, Minnesota. All of the units will be reserved for persons with behavioral health needs. The development will be rehabilitated by American House LLC, a Minnesota limited liability company, or an affiliate thereof or successor thereto, as its initial owner, operator or manager, the sole member of which will be Beacon Interfaith Housing Collaborative, a Minnesota nonprofit corporation, whose registered address is in Saint Paul, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Stryker Senior Housing, in Saint Paul, Minnesota. The development will consist of a single building multi-story multifamily apartment development for seniors with 57 residential units. The development will be acquired and constructed by NeDA Stryker Senior LLC, a Minnesota limited liability company, or an affiliate thereof or successor thereto, as its initial owner, operator or manager, the sole member of which will be Neighborhood Development Alliance, a Minnesota nonprofit corporation, whose registered address is in Saint Paul, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and substantial rehabilitation of a 100 percent project-based Section 8 multifamily housing development, known as Maplewood Gardens, in Maplewood, Minnesota. The development will consist of a three building two-story multifamily townhouse development with 29 residential units, with support services provided by Neighborhood House, Saint Paul, Minnesota. The development will be acquired and rehabilitated by TCHDC Maplewood Gardens LLC, a

Minnesota limited liability company, as its initial owner, operator or manager, the sole member of which will be Twin Cities Housing Development Corporation, a Minnesota nonprofit corporation, whose registered address is in Saint Paul, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Owasso Gardens, in Roseville, Minnesota. The development will consist of a single building multi-story multifamily apartment development for seniors with 60 residential units, with support services provided by CommonBond Communities, Saint Paul, Minnesota. The development will be acquired and constructed by CB Owasso Gardens limited Partnership, a Minnesota limited partnership, or an affiliate thereof or successor thereto, as its initial owner, operator or manager, the general partner of which will be CB Owasso Gardens GP LLC, a Minnesota limited liability company, the sole member of which is CommonBond Communities, a Minnesota nonprofit corporation, whose registered address is in Saint Paul, Minnesota.

Housing Infrastructure Loans also are expected to be made to one or more Community Land Trusts, for the acquisition of land upon which one or more condominium units, townhouses, or structures consisting of one to four single-family dwelling units, one of which will be owned and occupied by a person or family of low and moderate income, whose income does not exceed 115 percent of area median income as adjusted from time to time by the U.S. Department of Housing and Urban Development, as its principal residence, all of which are located on, or will be constructed on, the acquired land, and, if applicable, eligible costs of clearing the land, demolition and utility connections. A Community Land Trust is a private nonprofit organization that is a Section 501(c)(3) tax-exempt organization that is authorized to acquire land to be leased as owner-occupied single family housing to low- and moderate-income persons or families.

Each of the Housing Infrastructure Loans described above may be a 0 percent interest, non-amortizing, nonrecourse deferred loan. Certain of the Housing Infrastructure Loans may also be forgivable if the conditions for use are met. No revenues from the Housing Infrastructure Loans are expected to be available to pay debt service on the Series Bonds, and payments on the Housing Infrastructure Loans, if any, are not pledged to pay principal of or interest on the Series Bonds. Consequently, Owners of the Series Bonds should not regard the Housing Infrastructure Loans or the developments financed thereby as providing security for the Series Bonds.

If any one or more of these developments does not proceed for any reason, to the extent permitted by the Code, the Agency may use moneys in the Program Fund to make loans or grants for other developments eligible for funding under Section 462A.37 of the Act.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds related to the Series Bonds are as follows:

Sources:

Principal Amount of Series Bonds.....	
Net Original Issue Premium.....	
Total Sources of Funds	

Uses:

Deposit to Program Fund for Housing Infrastructure Loans	
Capitalized Interest	
Costs of Issuance	
Underwriters' Compensation	
Total Uses of Funds	

The Agency may reimburse itself from proceeds of the Series Bonds for Agency funds advanced to fund Housing Infrastructure Loans and related costs authorized by the Act before the date of issuance of the Series Bonds.

TAX EXEMPTION AND RELATED CONSIDERATIONS

General

The applicable federal tax law establishes certain requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). These requirements are generally described below. Noncompliance with these requirements may cause interest on the Series Bonds to become includable in gross income for purposes of federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which that noncompliance is ascertained or occurs.

The Indenture and the Bond Compliance Agreements and the Tax Exemption Agreements described in the Indenture contain provisions (the “Tax Covenants”) pursuant to which, in the opinion of Bond Counsel, the current requirements of the Code can be satisfied.

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Series Bonds, on the date of issuance of the Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency and, where applicable, the recipients of the Housing Infrastructure Loans with the Tax Covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Series Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to that exclusion of interest on any Series 2020C Bond or Series 2020D Bond for any period during which that Series Bond is held by a person who is a “substantial user” of a facility financed with the proceeds of the Series 2020C Bonds or Series 2020D Bonds or a “related person” within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax under the Code.

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series Bonds, or under state and local tax law.

A form of the Bond Counsel opinion with respect to the Series Bonds is attached hereto as Appendix D.

Prospective owners of the Series Bonds should be aware that the ownership of obligations such as the Series Bonds may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. The extent of these collateral tax consequences will depend upon that owner’s particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds.

The foregoing is a brief discussion of certain collateral federal income tax matters with respect to the Series Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series Bonds.

Certain Ongoing Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with those requirements may cause interest on the Series Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which the noncompliance occurs or is discovered. The Agency will covenant that it shall do and perform all acts necessary or desirable to assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code. The Agency will deliver a certificate with respect to ongoing federal tax requirements with the issuance of the Series Bonds which will contain provisions relating to compliance with the requirements of the Code. The Agency also has required or will require recipients of the Housing Infrastructure Loans to make certain covenants relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Agency or the owners of the Series Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series Bonds for federal income tax purposes.

Certain Considerations with Respect to the Series 2020AB Bonds

Assuming compliance with the following covenants, the Series 2020AB Bonds will not be treated as private activity bonds within the meaning of Section 141 of the Code.

(1) If either (a) or (b) below is true with respect to the Series 2020AB Bonds:

(a) No more than 10 percent of the proceeds of the Series 2020AB Bonds (net of costs of issuing the Series 2020AB Bonds and any reserve funds established with proceeds of the Series 2020AB Bonds) will be used for any private business use (as contemplated by Section 141(b)(1) of the Code). For this purpose, use of the proceeds by a Section 501(c)(3) entity is considered private business use.

(b) Payment of the principal of or interest on no more than 10 percent of the proceeds of the Series 2020AB Bonds (net of costs of issuing the Series 2020AB Bonds and any reserve fund established with the proceeds of the Series 2020AB Bonds) is (under the terms of the Series 2020AB Bonds or any underlying arrangement) directly or indirectly (i) secured by any interest in (A) property used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code) or (B) payments in respect of that property or (ii) to be derived from payments (whether or not to the Agency) in respect of property or borrowed money used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code). For this purpose, the loan of the proceeds to, or the use of the property by, a Section 501(c)(3) organization is considered property or borrower money used for a private business use.

(2) The proceeds of the Series 2020AB Bonds, if any, that are to be used for any private business use (as contemplated by Section 141(b)(1) of the Code) that is not related to any government use, plus the proceeds of the Series 2020AB Bonds, if any, that are to be used for any private business use (as contemplated by Section 141(b)(1) of the Code) that is related to any government use but disproportionate to the related government use that is financed by the proceeds of the Series 2020AB Bonds, will not exceed five percent of the proceeds of the Series 2020AB Bonds (net of costs of issuing the Series 2020AB Bonds and any reasonably required reserve funds established with the proceeds of the Series 2020AB Bonds).

(3) No portion of the proceeds of the Series 2020AB Bonds will be used by the Agency with respect to any output facility within the meaning of Section 141(b)(4) of the Code unless, in the opinion of nationally

recognized bond counsel, that use will not result in the inclusion in gross income of interest on the Series 2020AB Bonds for federal income tax purposes.

(4) No more than the lesser of \$5,000,000 or five percent of the net proceeds of the Series 2020AB Bonds will be used (directly or indirectly) to make or finance loans to any person, other than persons that are governmental units.

A portion of the Housing Infrastructure Loans will substantively be grants, and a portion of the Housing Infrastructure Loans will be loans for tax purposes. To the extent that the Housing Infrastructure Loans are loans to 501(c)(3) organizations, those properties may be subject to low income occupancy requirements as well as restrictions on the level of rents charged. See the discussion below under “—Certain Considerations With Respect to the Series 2020CD Bonds—Low Income Set-Aside Requirements under the Code.”

Notwithstanding the foregoing, the Agency may make repayable loans to organizations of the type described in Section 501(c)(3) of the Code (the “Nonprofit Organizations”). To the extent that more than five percent of the net proceeds of the Series 2020AB Bonds (or \$5,000,000, whichever is less) are used to make repayable loans to Nonprofit Organizations, and not used in an unrelated trade or business of such Nonprofit Organizations (as defined in Section 513 of the Code), such Series 2020AB Bonds will be classified for federal income tax purposes as qualified 501(c)(3) bonds within the meaning of Section 145 of the Code. If the Series 2020AB Bonds are qualified 501(c)(3) bonds as described above, then, as a condition to the exclusion from gross income of interest on the Series 2020AB Bonds for federal income tax purposes, all of the following must be satisfied:

(1) Either:

- (a) No more than five percent of the proceeds of the Series 2020AB Bonds (net of the costs of issuing the Series 2020AB Bonds and any reserve fund that is funded with proceeds of the Series 2020AB Bonds) will be used for any private business use (as contemplated by Section 141(b)(1) of the Code); or
- (b) Payment of the principal of or interest on no more than five percent of the proceeds of the Series 2020AB Bonds (net of the costs of issuing the Series 2020AB Bonds and any reserve fund that is funded with proceeds of the Series 2020AB Bonds) is (under the terms of the Series 2020AB Bonds or any underlying arrangement) directly or indirectly (1) secured by any interest in (i) property used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code) or (ii) payments in respect of such property or (2) derived from payments (whether or not to the Agency) in respect of property or borrowed money used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code).

Solely for purposes of (a) and (b) above, a 501(c)(3) entity will not be treated as using proceeds of property in a private trade or business.

- (2) No more than five percent of the proceeds of the Series 2020AB Bonds (net of the costs of issuing the Series 2020AB Bonds and any reserve fund that is funded with proceeds of the Series 2020AB Bonds) are used to make loans to entities that are neither a state or local governmental entity nor a Nonprofit Organization.

No portion of the proceeds of the Series 2020AB Bonds will be used by the Agency with respect to an output facility within the meaning of Section 141(b)(4) of the Code, unless, in the opinion of nationally recognized bond counsel, such use will not result in the inclusion in gross income of the interest on the Series 2020AB Bonds for federal income tax purposes.

Certain Considerations With Respect to the Series 2020CD Bonds

Low Income Set-Aside Requirements under the Code. The Series 2020CD Bonds are “exempt facility bonds” that are subject to certain low income set-aside requirements of the Code. This section includes brief

summaries of the low income set-aside requirements and certain other requirements for qualified residential rental projects under the Code.

The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide “qualified residential rental projects.” The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation, or containing single room occupancy units, that are available to the general public (subject to preferences for homeless, disabled and similar classes of tenants that do not violate United States Department of Housing and Urban Development policies respecting non-discrimination and applicable Fair Housing requirements) and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20 percent of the completed units in a project to be financed with the proceeds of the Series 2020CD Bonds be continuously occupied during the “qualified project period” by individuals and families whose annual adjusted income does not exceed 50 percent of the area median income (with adjustments for family size), or (ii) at least 40 percent of the completed units in a project to be financed with the proceeds of the Series 2020CD Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60 percent of the area median income (with adjustments for family size). The Agency will make elections on the applicable low income set-aside requirements with respect to each development expected to be financed with the proceeds of the Series 2020CD Bonds. In addition, all of the units in a development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the “qualified project period” as the period beginning on the first day upon which 10 percent of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50 percent of the residential units in the project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the project is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140 percent of the applicable income limitation. Generally, upon an increase of a tenant's income over 140 percent of the applicable income limitation, the next available unit of comparable or smaller size in the applicable development must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable development, the next available unit of a comparable or smaller size in the same building as the tenant whose income has increased over 140 percent of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made by the operator of the development to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Expenditures for Rehabilitation. The Code requires that the owner of an existing development spend a minimum sum of money for rehabilitation expenditures with regard to the development. The minimum amount of rehabilitation expenditures that must be incurred is equal to 15 percent of the amount of Series 2020CD Bond proceeds, if any, applied to pay for the cost of acquiring an existing building (including the building fixtures and equipment within, but not including the cost of land). That minimum amount of rehabilitation expenditures must be incurred no later than two years after the later of the date of issuance of those Series Bonds or the date that the building is acquired by the owner. The Code also requires that less than 25 percent of the net proceeds of the Series 2020CD Bonds be used to acquire land.

Certain State Tax Legislation. Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota’s exemption of that interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued.

On May 19, 2008 the U.S. Supreme Court held in *Department of Revenue of Kentucky v. Davis* that Kentucky’s taxation of interest on bonds issued by other states and their political subdivisions, while exempting from taxation interest on bonds issued by the Commonwealth of Kentucky or its political subdivision, does not

impermissibly discriminate against interstate commerce under the Commerce Clause of the U.S. Constitution. In a footnote, however, the Court stated that it had not addressed whether differential treatment of “so called ‘private activity,’ ‘industrial revenue,’ or ‘conduit’ bonds . . . used to finance projects by private entities” violate the Commerce Clause, adding that “we cannot tell with certainty what the consequences would be of holding that Kentucky violates the Commerce Clause by exempting such bonds; we must assume that it could disrupt important projects that the States have deemed to have public purposes. Accordingly, it is best to set this argument aside and leave for another day any claim that differential treatment of interest on private-activity bonds should be evaluated differently from the treatment of municipal bond interest generally.”

Since the Series 2020CD Bonds are “private activity bonds” and the Supreme Court’s opinion left open the possibility of a challenge to Minnesota’s differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If Minnesota’s treatment of those bonds were held to unlawfully discriminate against interstate commerce, the court making such a finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states’ bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Series 2020CD Bonds to become taxable by Minnesota and the market value of the Series 2020CD Bonds to decline.

Bond Premium

Certain of the Series Bonds may be sold at a premium. An amount equal to the excess of the issue price of a Series Bond over its stated redemption price at maturity constitutes premium on that Series Bond. An initial or subsequent purchaser of a Series Bond must amortize any premium over that Series Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Series Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in that Series Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes, upon a sale or disposition of that Series Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series Bond.

Original Issue Discount

Any Series Bonds that are sold at an initial public offering price that is less than the stated amount to be paid at maturity will constitute “Discount Bonds.” The difference between the initial public offering prices of any such Discount Bond and the stated amount to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes to the same extent as interest on such Discount Bond.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding

dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Changes in Federal Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above, prevent owners of the Series Bonds from realizing the full current benefit of the tax treatment of the Series Bonds or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced that, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

CONTINUING DISCLOSURE

The Agency will covenant in a continuing disclosure undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the State and to provide notices of the occurrence of certain enumerated events. That information and notices are to be filed by the Agency with the Municipal Securities Rulemaking Board through its internet repository named “Electronic Municipal Market Access” (EMMA). (See “Appendix C — Summary of Continuing Disclosure Undertakings.”) The Agency and the State will enter into a separate agreement pursuant to which the State will agree to provide to the Agency the information needed for the Annual Report described in Appendix C. (See “Appendix C — Summary of Continuing Disclosure Undertakings.”)

These covenants have been made in order to assist the Underwriters in complying with the Rule (as defined in Appendix C hereto). Breach of the covenants will not constitute a default or an “Event of Default” under the Series Bonds or the Indenture. A broker or dealer is to consider a known breach of the covenants, however, before recommending the purchase or sale of the Series Bonds in the secondary market. Thus, a failure on the part of the Agency or the State to observe the covenants may adversely affect the marketability and liquidity of the Series Bonds and their market price. During the prior five years, certain disclosure reports filed with EMMA were not timely linked to all outstanding CUSIPs for the associated bonds of the Agency, including (a) the timely filed Agency Annual Report for its fiscal year ended June 30, 2015 was not specifically linked to the CUSIP for the Agency’s Homeownership Finance Bonds, 2015 Series C and one of the CUSIPs for the Agency’s Residential Housing Finance Bonds, 2015 Series C, and (b) the timely filed State of Minnesota Comprehensive Annual Financial Report and Annual Financial Information and Operating Data for the year ended June 30, 2015 was not specifically linked to multiple CUSIPs relating to the Agency’s State Appropriation Bonds (Housing Infrastructure), 2014 Series A. Where the Agency undertakes to provide annual financial information and operating data of the State, the Agency cannot provide annual financial information and operating data of the State until received from the State. For information on the State’s covenants and agreements to comply with its continuing disclosure obligations, its submission of a report to the Securities and Exchange Commission (the “SEC”) in response to its Municipal Continuing Disclosure Cooperation Initiative (the “MCDC”), and the issuance of a Cease-and-Desist Order by the SEC and related State undertakings under the MCDC, with regard to the State’s compliance with its continuing disclosure undertakings, see the disclosure under the section heading “CONTINUING DISCLOSURE” in the [], 2020 State Preliminary Official Statement included as Appendix E hereto.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency or the State, overtly threatened any litigation against the Agency or the State seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds, or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

While at any given time, including the present, there are numerous civil actions pending against the State, that could, if determined adversely to the State, affect the State's expenditures, and, in some cases, its revenues, the State Attorney General is of the opinion that, except for the actions described in Note 19 to the State Financial Statements for Fiscal Year Ended June 30, 2019, set forth in Appendix F of the [], 2020 State Preliminary Official Statement included as Appendix E hereto, and additional actions, if any, discussed in the section entitled "LITIGATION" in the [], 2020 State Preliminary Official Statement, no pending actions are likely to have a material adverse effect in excess of \$15 million on the State's expenditures or revenues during the current biennium.

CERTAIN LEGAL MATTERS

The validity of, and the tax exemption of interest on, the Series Bonds are subject to the opinion of Kutak Rock LLP, Bond Counsel. The opinion of Bond Counsel will be provided in substantially the form set forth in Appendix D attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Cozen O'Connor.

RATINGS

The Series Bonds are rated "___" by Moody's Investors Service, Inc. and "___" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC. The ratings reflect only the views of these rating agencies. For an explanation of the ratings as described by those rating agencies, please contact the rating agencies. The ratings are subject to change or withdrawal by either of the rating agencies at any time. Therefore, after the date hereof, investors should not assume that those ratings are still in effect. A downward revision or withdrawal or suspension of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the "Financial Advisor") is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series Bonds and provided other advice to the Agency. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

UNDERWRITING

RBC Capital Markets, LLC, Piper Sandler & Co., Wells Fargo Bank, National Association and J.P. Morgan Securities LLC (collectively, the "Underwriters") will purchase from the Agency, and the Agency will sell to the Underwriters, all of the Series Bonds at an aggregate purchase price of \$_____ (which price reflects an underwriting discount of \$_____ and net original issue premium of \$_____). The Underwriters may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

Each of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the

Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of Agency.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), one of the underwriters of the Series Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Series Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing compensation, as applicable, with respect to the Series Bonds with WFA. WFBNA also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate, Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company ("WFC").

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of WFC and its subsidiaries, including WFBNA, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of WFBNA, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

WFBNA is serving both as one of the Underwriters and as Trustee under the Indenture (which includes acting as paying agent for the Series Bonds). WFBNA will be compensated separately for serving in each capacity.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series Bonds that that firm sells.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purposes. Any statement made or incorporated in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

By _____
Commissioner

Dated: _____, 2020.

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture contains various definitions, covenants, security provisions, terms and conditions, certain of which are summarized below. Reference is made to the Indenture for a full and complete statement of its provisions.

Certain Defined Terms

Agency Certificate: As the case may be, a document signed by an Authorized Officer either (i) attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth, (ii) setting forth matters to be determined by the Agency or an Authorized Officer pursuant to the Indenture, or (iii) requesting or directing the Trustee or other party to take action pursuant to the Indenture.

Agency Resolution: A copy of a resolution certified by an Authorized Officer to have been duly adopted by the members of the Agency and to be in full force and effect on the date of such certification, and delivered to the Trustee.

Authorized Officer: The Chairperson, Vice Chairperson, Commissioner or Deputy Commissioner of the Agency or any other person authorized by resolution of the Agency to perform an act or sign a document.

Bond Compliance Agreement: A Bond Compliance Agreement, if any, entered into by the Agency and a borrower with respect to a loan funded with proceeds of Bonds deemed to be “private activity bonds” under the Code.

Bond Counsel: Any attorney or firm of attorneys of nationally recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds selected by the Agency.

Bond Fund: The Bond Fund created under the Indenture within the Agency’s Housing Development Fund.

Bondowner: A Person in whose name a Bond is registered in the Bond Register.

Business Day: Any day (a) other than a Saturday, Sunday or other day that is a legal holiday in the State, and (b) on which banks in the city in which the designated principal corporate trust office of the Trustee are located are not required or authorized by law to be closed.

Code: The Internal Revenue Code of 1986, as amended and the applicable temporary, proposed and final Treasury regulations promulgated thereunder or applicable thereto.

Default: An Event of Default and an event or condition, the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

Fiscal Year: The 12-month period commencing July 1 and concluding on June 30 in the next succeeding calendar year, or any other 12-month period designated by the State as its fiscal year.

Government Obligations: Direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury).

Interest Payment Date: The date on which interest is payable on any Bonds (other than upon redemption of a Bond on a date other than a regularly scheduled interest payment date).

Investment Obligations: Any of the following securities and other investments, if and to the extent the same are at the time legal for the investment of the Agency’s moneys:

- (a) Government Obligations;
- (b) Obligations (i) that are backed by the full faith and credit of any state of the United States of America, (ii) of any agency of the United States of America, or (iii) of any public corporation sponsored by the United States of America, provided that, at the time of purchase, such obligations shall not adversely affect the Rating of the Bonds;
- (c) Interest bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any bank, trust company, national banking association or other savings institution (including the Trustee) provided that (i) such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation or guaranteed by the State, the proceeds of which insurance are timely available, or (ii) such depository has combined capital and surplus of at least \$75,000,000 and such deposits, certificates and other arrangements are fully secured by obligations described in clause (a) or (b) of this definition, or a combination thereof, at such levels and valuation frequency as shall not adversely affect the Rating of the Bonds or (iii) the deposit of funds with such depository will not adversely affect the Rating of the Bonds;
- (d) Repurchase agreements and reverse repurchase agreements with banks that are members of the Federal Deposit Insurance Corporation, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (a) and (b) of this definition;
- (e) Shares of (i) an investment company registered under the federal investment company act of 1940, whose shares are registered under the federal securities act of 1933, whose only investments are in securities described in clause (a), (b) or (d) above, or (ii) a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least \$75,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, whose only investments are in securities described in clause (a), (b) or (d) above;
- (f) Any investment contract with any provider as long as such investment contract does not adversely affect the Rating of the Bonds; and
- (g) Any other investment that will not adversely affect the Rating of the Outstanding Bonds.

Opinion of Counsel: A written opinion of counsel selected by the Agency and acceptable to the Trustee or selected by the Trustee.

Outstanding: When used with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture *except*:

- (i) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (ii) Bonds for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee in trust for the Owners of such Bonds; *provided* that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;
- (iii) Bonds which have been defeased within the meaning of the Indenture; and
- (iv) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture;

provided, however, that in determining whether the Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the Agency shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded.

Owner: With respect to any Bond, the Bondowner.

Person: Any individual, corporation, limited liability company, partnership, limited liability partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Program Fund: The Program Fund created under the Indenture.

Rating: With respect to any Bonds, the rating issued by a Rating Agency in force immediately prior to the proposed action to be taken by the Agency under the Indenture, and an action that does not “impair” the Rating with respect to any Bonds shall be an action that will not cause the Rating Agency to lower, suspend or withdraw the rating it has assigned to the Bonds.

Rating Agency: Any nationally recognized entity that, upon the request of the Agency, has issued a credit rating on any Bonds issued pursuant to the Indenture.

Rebate Fund: The Rebate Fund created under the Indenture.

Record Date: The 15th day, whether or not a Business Day, of the month immediately preceding the month in which each Interest Payment Date, or any Redemption Date, occurs.

Redemption Date: When used with respect to any Bond to be redeemed, the date fixed for such redemption by or pursuant to the Indenture.

Redemption Price: When used with respect to any Bond to be redeemed, the price at which it is to be redeemed pursuant to the Indenture.

Sinking Fund Payment Date: A date set forth in any applicable provision of the Indenture or a Supplemental Indenture for the making of a mandatory principal payment for the redemption of a Term Bond.

Special Record Date: A date fixed by the Trustee pursuant to the Indenture for the payment of any interest not paid at its Stated Maturity.

Stated Maturity: When used with respect to any Bond or any installment of interest thereon means the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

Tax Exemption Agreement: A Tax Exemption Agreement, if any, entered into by the Agency and a borrower with respect to a Loan funded with proceeds of Bonds not deemed to be “private activity bonds” under the Code.

Term Bonds: Any Bond for the payment of the principal of which mandatory payments are required by a Supplemental Indenture to be made at times and in amounts sufficient to redeem all or a portion of such Bond prior to its Stated Maturity.

Trust Estate: The assets, revenues and other property pledged pursuant to the Granting Clauses of the Indenture.

Program Fund

The Agency by the Indenture establishes an account with the Trustee to be designated the “Program Fund,” as a subaccount of the housing infrastructure bond account established by the Act, and is required to deposit with the Trustee to the credit thereof proceeds of the Series Bonds as provided in the Indenture. Income and profit from the investment of moneys in the Program Fund shall be credited to such Fund. The moneys in the Program Fund shall be held in trust by the Trustee and applied to the funding of the Housing Infrastructure Loans and payment of costs of issuance of the Series Bonds. The Trustee shall create specific accounts within the Program Fund, upon receipt of an Agency Certificate, to fund specific Housing Infrastructure Loans. The Trustee shall pay each item payable from the applicable account in the Program Fund to the Agency or at the Agency’s direction, or shall make arrangements for the transfer and deposit of the amount for such payment, as the Agency shall request. Upon receipt by the Trustee of an Agency Certificate stating that all amounts to be paid with respect to Housing Infrastructure Loans financed by

Bonds of such series has been paid, any balance remaining in the Program Fund with respect to such Bonds shall be transferred to the Bond Fund.

Bond Fund

The Agency by the Indenture establishes, and is required to maintain, so long as any of the Bonds are outstanding, with the Trustee, a separate account within the Agency's Housing Development Fund to be designated the "Housing Infrastructure State Appropriation Bond Fund," as a subaccount of the housing infrastructure bond account established by the Act, into which the Agency and Trustee shall make certain deposits pursuant to the Indenture, including, as received each year, all Housing Infrastructure State Appropriations paid by the State. The moneys and investments in the Bond Fund are irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of, premium (if any) on and interest on the Bonds, as and when such principal, premium and interest shall become due and payable. Except as otherwise provided in the Indenture (see "Compensation of Trustee" and "Application of Revenues and Other Moneys After Event of Default" hereinafter), so long as all principal, premium and interest on the Bonds have been paid when due, and the amount in the Bond Fund is sufficient to pay the principal of and interest on Outstanding Bonds in the current Fiscal Year, upon the written direction of the Agency pursuant to an Agency Certificate, the Trustee may use moneys in the Bond Fund in excess of such amount to pay fees, charges and expenses with respect to the Bonds. Upon the written direction of the Agency, the Trustee may use moneys in the Bond Fund to purchase Bonds maturing or subject to redemption on a Sinking Fund Payment Date on either of the next two Interest Payment Dates after such purchase, provided that such Bonds are delivered to the Trustee for cancellation upon such purchase.

Investment of Moneys in Program Fund and Bond Fund

The Trustee shall invest the moneys on deposit in the Program Fund or held as a part of the Bond Fund, respectively, at the written request and direction of an Authorized Officer in Investment Obligations. The type, amount and maturity of Investment Obligations shall conform to any instructions of the Authorized Officer. The Trustee may, from time to time, cause any such investments to be sold or otherwise be converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to the respective Fund. Any interest or profit derived from investments shall be credited to the respective Fund. Investments permitted under the Indenture may be purchased from the Trustee or from any of its affiliates. No portion of the Program Fund or the Bond Fund representing proceeds of the Bonds shall be invested or used in such manner that no part of a series of Bonds would be "arbitrage bonds" under the Code; the Trustee may conclusively rely on the written direction of an Authorized Officer as to compliance with the Code. The Trustee shall be entitled to assume that any investment that at the time of purchase is an Investment Obligation remains an Investment Obligation thereafter, absent receipt of written notice or information to the contrary. If no investment direction is received for a Fund, the funds shall be held uninvested. The Trustee shall have no liability or responsibility for any loss or for failure to maximize earnings resulting from any investment for a Fund made in accordance with the Indenture.

Rebate Fund

The Trustee shall establish a special fund designated as the "Rebate Fund." The Rebate Fund is not a trust fund, is not part of the Trust Estate and is not subject to the lien of the Indenture. For each series of Bonds that is subject to the rebate requirements of Section 148(f) of the Code, or its equivalent, a separate account shall be established in the Rebate Fund. The Trustee shall make information regarding the investments thereunder available to the Agency and shall make deposits in and disbursements from the Rebate Fund in accordance with written instructions in an Agency Certificate delivered from time to time, shall invest the Rebate Fund pursuant to said written instructions, and shall deposit income from such investments immediately upon receipt thereof in the Rebate Fund. The Trustee shall upon receipt of an Agency Certificate transfer moneys from the Bond Fund or moneys representing interest income from the Program Fund, as directed by the Agency Certificate, to the Rebate Fund in the amount of any required deposit. Records of transactions with respect to the separate account within the Rebate Fund for a series of Bonds shall be retained by the Trustee until six years after the Bonds of such series are no longer outstanding.

Payment of Bonds

The Agency covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture and in each and every Bond executed, authenticated and delivered thereunder; will pay or cause to be paid, solely from the Trust Estate, including Housing Infrastructure State Appropriations, the principal of, premium (if any) on and interest on every Bond issued thereunder on the dates, at the places and in the manner prescribed in the Bonds in any coin or currency that, on the respective dates of payment of such principal and interest, is legal tender for the payment of public and private debts; and will cause such amounts received to be deposited with the Trustee prior to the due date of each installment of principal and interest and prior to the maturity of any Bond in amounts sufficient to pay such installment; provided, however, that the principal of and interest on any Bond are not and shall not be an indebtedness or other obligation of the State and the Bonds are not public debt of the State, and the full faith and credit of the State are not pledged to their payment or for any annual transfers of Housing Infrastructure State Appropriations to the Agency. The Agency covenants that it will take all actions required by the Act to cause the Housing Infrastructure State Appropriations to be received on or prior to the dates such amounts are required to pay, with other amounts available in the Bond Fund, principal of and interest of Outstanding Bonds and will deposit all Housing Infrastructure State Appropriations as received in the Bond Fund.

Covenant to Request Housing Infrastructure State Appropriations

On or prior to each June 30 while any Bonds remain Outstanding, the Agency covenants that it will certify to the Commissioner of Management and Budget of the State the amount of principal, premium, if any, and interest on each series of the Bonds, and the fees, charges, and expenses related to each series of the Bonds, payable in the next succeeding Fiscal Year, less the amount on hand in the Bond Fund and available to pay such amounts.

Covenants Relating to Housing Infrastructure Loans

The Agency covenants that the proceeds of the Bonds will be used solely to pay costs of issuance of the Bonds, to pay interest on the Bonds prior to the first date Housing Infrastructure State Appropriations are received and to fund Housing Infrastructure Loans meeting such criteria for Housing Infrastructure State Appropriations as shall be set forth in Section 462A.37 of the Act. Proceeds of the Bonds may also be used for other purposes authorized by the Act as amended from time to time.

Tax Covenants with Respect to Series Bonds

The Agency shall not take any action or fail to take any action or permit any action to be taken on its behalf or cause, or permit any circumstance within its control to arise or continue, if such action or inaction would adversely affect the exclusion from gross income for federal income purposes of the interest on the Series Bonds. These covenants will survive the payment of the Series Bonds.

The Agency shall not use or permit the use of any proceeds of the Series Bonds or any other funds of the Agency, directly or indirectly, to acquire any securities, obligations, or other investment property, and shall not use or permit the use of any amounts received by the Agency or the Trustee with respect to the Series Bonds in any manner, and shall not take or permit to be taken any other action or actions, that would cause the Series Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

The Agency shall not use or permit the use of any proceeds of the Series Bonds or any other funds of the Agency, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, that would result in any Development financed with proceeds of the Series Bonds not being treated as a “qualified residential rental project” as such phrase is used in Sections 147(a)(7) and 142(d) of the Code. In furtherance of this covenant the Agency will enter into a Bond Compliance Agreement with respect to each Housing Infrastructure

Loan to be funded with the proceeds of the Series Bonds in order for the interest on the Series Bonds to be excluded from gross income of the owners for purposes of federal income taxation.

Events of Default

Each of the following events is defined as, and is declared to be and to constitute, an “Event of Default” under the Indenture:

(a) If payment of the principal of, or premium, if any, on any of the Bonds, when the same shall become due and payable, whether at Stated Maturity or upon a Sinking Fund Payment Date, or otherwise, shall not be made.

(b) If payment of any interest on the Bonds when the same shall become due and payable shall not be made.

(c) If default shall be made in the performance or observance of any other of the covenants, agreement or conditions on the part of the Agency in the Indenture, or in the Bonds contained, and such failure shall continue for a period of 60 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the Bondowners of not less than 10% in principal amount of the Bonds Outstanding, provided that if (i) the Agency is proceeding with due diligence to remedy the same, (ii) the default is able to be remedied, and (iii) the Agency has commenced action during the 60-day period necessary to remedy such default, such 60-day period shall be increased to such extent, but not more than an additional 180 days, as shall be necessary to enable the Agency to cure the default through the exercise of due diligence.

(d) The Agency shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

(e) The State has limited or altered the rights of the Agency pursuant to the Act, as in force on the date of adoption of the Indenture, to fulfill the terms of any agreements made with the Owners of the Bonds or in any way impaired the rights and remedies of Owners of Bonds while any Bonds are Outstanding.

Remedies

Upon the occurrence and continuation of any Event of Default, the Trustee may, and upon the written request of the Bondowners of not less than a majority in aggregate principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Bondowners under the Act, the Bonds and the Indenture by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(a) Suit upon all or any part of the Bonds;

(b) Suit to require the Agency to account as if it were the trustee of an express trust for the Bondowners;

(c) Suit to enjoin any acts or things that may be unlawful or in violation of the rights of the Bondowners; and

(d) Enforcement of any other right of the Bondowners conferred by law or by the Indenture.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts that may be unlawful or in violation of the Indenture, or (ii) to preserve or protect the interests of the Bondowners, provided that such request is in accordance with law and the provisions of the Indenture.

Application of Revenues and Other Moneys After Event of Default

The Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon demand of the Trustee, shall pay or cause to be paid over to the Trustee, as promptly as practicable after receipt thereof, any Housing Infrastructure State Appropriations and other payments or receipts pledged under the Indenture. During the continuation of an Event of Default the Trustee shall apply such moneys, securities, revenues, payments and receipts and the income therefrom as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of duties under the Indenture;

(b) To the payment of the interest and principal or Redemption Price then due and payable on Outstanding Bonds, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due and payable in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Outstanding Bonds that shall have become due and payable, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Outstanding Bonds due and payable on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

Whenever all principal amounts of and interest on all Bonds have been paid under the above provisions, and any required arbitrage rebate and all fees, expenses and charges of the Trustee have been paid, any balance remaining under the Indenture shall be paid to the Agency.

Majority of Bondowners Control Proceedings

If an Event of Default shall have occurred and be continuing, notwithstanding anything in the Indenture to the contrary, the Bondowners of at least a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the appointment of a receiver or any other proceedings under the Indenture, provided that such direction is in accordance with law and the provisions of the Indenture and provided that nothing in the Indenture shall impair the right of the Trustee in its discretion to take any other action under the Indenture that it may deem proper.

Individual Bondowner Action Restricted

No Bondowner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for any remedy under the Indenture unless:

(1) an Event of Default has occurred (a) under section (a) or (b) of the Events of Default subheading above, (b) as to which the Trustee has actual notice, or (c) as to which the Trustee has been notified in writing, and

(2) the Bondowners of at least a majority in aggregate principal amount of Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, and

(3) such Bondowners shall have offered the Trustee indemnity, and

(4) the Trustee shall have failed or refused to exercise the powers in the Indenture granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

No one or more Bondowners shall have any right in any manner whatsoever to affect, disturb or prejudice the security of the Indenture or to enforce any right under the Indenture except in the manner in the Indenture provided and for the equal benefit of the Bondowners of all Bonds Outstanding appertaining thereto.

Nothing contained in the Indenture shall affect or impair, or be construed to affect or impair, the right of a Bondowner (i) to receive payment of the principal of or interest on such Bond, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Bondowner may institute or prosecute any such suit or enter judgment therein, if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein, under applicable law, would result in the surrender, impairment, waiver or loss of the lien of the Indenture on the moneys, accounts and properties pledged under the Indenture for the equal and ratable benefit of all Bondowners.

Waiver and Non-Waiver of Event of Default

No delay or omission of the Trustee or of any Bondowner to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein. Every power and remedy given by the Indenture with respect to remedies to the Trustee and the Bondowners, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may waive any Event of Default that in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Indenture, or before the completion of the enforcement of any other remedy under the Indenture.

Notwithstanding anything contained in the Indenture to the contrary, the Trustee, upon the written request of the Bondowners of at least a majority of the aggregate principal amount of Bonds then Outstanding (including, if more than one series of Bonds shall at the time be Outstanding, the Bondowners of a majority in principal amount of the Bonds of each such Series), shall waive any Event of Default under the Indenture and its consequences; provided, however, that except under the circumstances set forth in the paragraph above, a default in the payment of the principal, or Redemption Price, if any, of or interest on any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Owner of such Bond.

In case of any waiver by the Trustee of an Event of Default under the Indenture, the Agency, the Trustee and the Bondowners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with these provisions.

Notices of Defaults

Within 10 Business Days after the receipt of notice of an Event of Default or the occurrence of an Event of Default of which the Trustee has actual notice or is deemed to have notice, the Trustee, unless such Event of Default shall have theretofore been cured, shall give written notice thereof by first class mail to each Owner of Bonds then Outstanding, provided that, except in the case of a default in the payment of principal or the Redemption Price of or interest on any of the Bonds, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondowners. The Trustee shall immediately notify the Agency of any Default or Event of Default known to the Trustee.

Trustee May Rely Upon Certain Documents and Opinions

Except as otherwise specifically provided in the Indenture, the Trustee may rely and shall be protected in acting upon certain resolutions, certificates, statements, instruments, opinions, reports, notices, requests, consents,

orders, bonds or other papers or documents and may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance with the opinion of such counsel. Before being required to take any remedial action, the Trustee may require an opinion of counsel reasonably acceptable to it, which opinion of counsel shall be made available to the other parties to the Indenture upon request, or a verified certificate of any such party, or both concerning proposed actions.

Compensation of Trustee

All advances, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trust created by the Indenture and reasonable compensation to the Trustee for its services in the premises, including extraordinary fees such as default fees, if any, shall be paid by the Agency from the Trust Estate. The compensation of the Trustee shall not be limited to or by any provision of law in regard to the compensation of trustees of an express trust. The Trustee shall have a first lien, with right of payment prior to payment on account of interest or principal of any Bond issued under the Indenture, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created thereby and exercise and performance of the powers and duties of the Trustee thereunder and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee). The Trustee's right to receive compensation, reimbursement, indemnification of money due and owing under the Indenture shall survive the Trustee's resignation or removal.

Resignation or Removal of Trustee

The Trustee may resign and be discharged from the trusts created by the Indenture by giving to the Agency 30 days' notice in writing, and to the Bondowners 30 days' notice by certified mail at its or his address as set forth on the registration books of such resignation, specifying a date when such resignation shall take effect. Such resignation shall take effect on the day specified in such notice, if a successor Trustee has been appointed, or upon such later date as a successor is appointed. If no successor Trustee shall have been appointed and have accepted appointment within 90 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee may petition a court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee may be removed at any time by an instrument or instruments in writing, appointing a successor to the Trustee so removed, filed with the Trustee and executed by either (i) the Agency, if it is not then in Default under the Indenture; or (ii) the Owners of a majority in principal amount of the Bonds secured by the Indenture and then Outstanding.

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or otherwise shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Trustee, and a successor may be appointed by either (i) the Agency, if it is not then in Default under the Indenture; or (ii) the Owners of a majority in principal amount of the Bonds then Outstanding, by an instrument or instruments in writing filed with the Trustee and notification thereof being given to the Agency. In the event the Trustee has been removed by action of the Bondowners, until a new Trustee shall be appointed by the Bondowners as authorized in the Indenture, the Agency may, subject to the provisions thereof, appoint a Trustee to fill such vacancy. After any such appointment by the Agency, the Trustee so appointed shall cause notice of its appointment to be mailed within 30 days of such appointment to the Owners of the Bonds, and any new Trustee so appointed by the Agency shall immediately and without further act be superseded by a Trustee appointed in the manner above provided by the Owners of a majority in principal amount of said Bonds whenever such appointment by said Bondowners shall be made.

If, in a proper case, no timely appointment of a successor Trustee shall be made pursuant to the foregoing provisions the Owner of any Bond may apply to any court of competent jurisdiction to appoint a successor trustee. The court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor trustee.

Payment and Discharge of Indenture

If the Agency, its successors or assigns, shall

(a) pay or cause to be paid the principal of and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or

(b) provide for the payment of principal and premium, if any, of the Bonds and interest thereon by depositing with the Trustee at or at any time before maturity amounts sufficient in cash and/or in Government Obligations (the principal and interest on which when due and payable or redeemable at the option of the holder thereof) and without consideration of any reinvestment thereof shall be sufficient to pay the entire amount due or to become due thereon for principal and premium, if any, and interest to maturity of all said Bonds Outstanding, or

(c) deliver to the Trustee (1) proof satisfactory to the Trustee that notice of redemption of all of the Outstanding Bonds to be called for redemption not surrendered or to be surrendered to it for cancellation has been given or waived as provided in the Indenture, or that arrangements satisfactory to the Trustee have been made ensuring that such notice will be given or waived, or (2) a written instrument executed by the Agency and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Agency, or (3) file with the Trustee a waiver of such notice of redemption signed by the Owners of all of such Outstanding Bonds, and in any such case, deposit with the Trustee before the date on which such Bonds are to be redeemed, as provided in the Indenture, the entire amount of the Redemption Price, in cash and/or Government Obligation (which do not permit the redemption thereof at the option of the issuer) in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of such Redemption Price on the date such Bonds are to be redeemed, and on such prior dates when principal of and interest on the Outstanding Bonds is due and payable, or

(d) surrender to the Trustee for cancellation all Outstanding Bonds for which payment is not so provided, and shall also pay all other sums due and payable under the Indenture by the Agency,

then and in that case, if all required arbitrage rebate has been paid in respect of the Bonds, all the Trust Estate shall revert to the Agency, and the entire estate, right, title and interest of the Trustee and of the Owners of the Bonds shall thereupon cease, determine and become void; and the Trustee in such case, upon the cancellation of all Bonds for the payment of which cash or securities shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Agency, and at its cost and expense, execute to the Agency, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Agency all cash and deposited securities, if any (other than cash or securities for the payment of the Bonds and interest thereon), which shall then be held under the Indenture as a part of the Trust Estate.

In case of any discharge of the lien of the Indenture pursuant to paragraphs (b) or (c) above, there shall be submitted to the Trustee an opinion of Bond Counsel to the effect that the interest on the Bonds being discharged will not become includable in gross income for federal income tax purposes.

Bonds Deemed Not Outstanding After Deposits

When there shall have been deposited at any time with the Trustee in trust for the purpose, cash or Government Obligations the principal and interest on which shall be sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due dates for such interest or to the date fixed for redemption, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be Outstanding thereunder; and it shall be the duty of the Trustee to hold the cash and securities so deposited for the benefit of the Owners of such Bonds.

Purposes for Which Supplemental Indentures May be Executed

The Agency, by Agency Resolution, and the Trustee from time to time and at any time, subject to the conditions and restrictions contained in the Indenture, may enter into such indentures supplemental thereto as the

Agency may or shall deem necessary or desirable without notice to or consent of any Bondowner for any one or more of the following purposes:

(a) To add to the covenants and agreements of the Agency in the Indenture or any Supplemental Indenture other covenants and agreements to be observed by the Agency that are not contrary to or inconsistent with the Indenture or the applicable Supplemental Indenture as theretofore in effect;

(b) To add to the limitations and restrictions in the Indenture or any Supplemental Indenture other limitations and restrictions to be observed by the Agency that are not contrary to or inconsistent with the Indenture or the applicable Supplemental Indenture as theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon the Agency by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in the Indenture;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture or any Supplemental Indenture, of the Housing Infrastructure State Appropriations or of any other part of the Trust Estate;

(e) To cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any Supplemental Indentures that may be defective or inconsistent with any other provision contained in the Indenture or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under the Indenture or any Supplemental Indenture as the Agency may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any Supplemental Indenture and which shall not impair the security of the same;

(f) To modify, eliminate and/or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted, and to add to the Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939, excluding, however, the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939;

(g) To provide for the issuance of Bonds pursuant to the Indenture;

(h) To make any other change in the Indenture as shall not be, in the opinion of the Trustee, materially adverse to the security or other interests of the Bondowners. With respect to the foregoing, the Trustee may rely upon the opinion of the Rating Agency with respect to whether the Rating of the Bonds has been adversely affected as conclusively establishing whether the change is materially adverse to the security or other interests of the Bondowners.

The Trustee shall not enter into a Supplemental Indenture under these provisions unless it obtains an Opinion of Counsel stating that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of the Indenture and is authorized or permitted by the Indenture.

Modification of Indenture with Consent of Bondowners

Subject to the terms and provisions below, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Agency and the Trustee of such indenture or indentures supplemental thereto as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to or deleting in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that, notwithstanding any other provision of the Indenture, nothing therein contained shall permit or be construed as permitting, without the consent of the Owners of all Outstanding Bonds affected thereby, (i) an extension of the maturity of any Bond issued under the Indenture, or (ii) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (iii) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (iv) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (v) a reduction in the aggregate principal amount of

the Bonds required to consent to Supplemental Indentures, or (vi) a reduction in the aggregate principal amount of the Bonds required to waive an Event of Default.

If the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Agency from executing the same or from taking any action pursuant to the provisions thereof.

APPENDIX B

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York (“DTC”), is to act as securities depository for each series of the Series Bonds. The ownership of one fully registered Series Bond of each series for each maturity in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., DTC’s partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds of a series, references herein to the Bondowners, Owners or registered owners of the Series Bonds mean Cede & Co. or such other nominee and do not mean the Beneficial Owners(as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for Series Bonds of a series is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts those Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds of a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds of the series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of the principal and redemption price of and interest on the Series Bonds will be made to Cede & Co., or other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of the payments to Direct Participants will be the responsibility of DTC, and disbursement of the payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Indenture, payments made by or on behalf of the Agency to DTC or its nominee will satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this Appendix B is based solely on information provided by DTC. No representation is made by the Agency, the State or the Underwriters as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the State, the Underwriters and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the State, the Underwriters nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of, or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to Owners of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondowner.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to all or any series of the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, that series of Series Bonds are required to be delivered as described in the Indenture. The Beneficial Owner, upon registration of those Series Bonds held in the Beneficial Owner's name, will become the Bondowner.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for all or any series of the Series Bonds. In that event, the Series Bonds of that series are to be delivered as described in the Indenture.

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS

The following statements are extracted provisions of the Continuing Disclosure Undertaking (the “Disclosure Undertaking”) to be executed by the Agency in connection with the issuance of the Series Bonds. The Agency and the Minnesota Department of Management and Budget (“MMB”) have entered into a separate Continuing Disclosure Agreement (the “State Agreement”) under which MMB has agreed to undertake the Annual Financial Information Disclosure in order that the Agency can satisfy the Annual Financial Information Disclosure obligation described below.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the “Bondowners”) and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

(a) “*Annual Financial Information*” means the following financial information and operating data (to the extent not included in Audited Financial Statements): the information in Appendix B to the State of Minnesota Official Statement dated August [], 2020 included as Appendix E to the Official Statement of the Agency relating to the Series Bonds, Appendix C to such State Official Statement and Appendix F to such State Official Statement.

(b) “*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under “Annual Financial Information Disclosure” herein.

(c) “*Annual Financial Information Disclosure Date*” means December 31 of each year, beginning December 31, 2020.

(d) “*Audited Financial Statements*” means the audited financial statements of the State, prepared pursuant to the standards and as described under the caption “Annual Financial Information Disclosure.”

(e) “*Beneficial Owners*” means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

(f) “*Commission*” means the Securities and Exchange Commission.

(g) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

(h) “*Financial Obligation*” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include

municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

(i) “*Listed Event*” means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;
2. Nonpayment-related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);
13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

(j) “*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as described under the heading “Listed Events Disclosure” in this Appendix C.

(k) “*MSRB*” means the Municipal Securities Rulemaking Board.

(l) “*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

(m) “*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

(n) “*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

(o) “*Undertaking*” means the obligations of the Agency described under the headings “Annual Financial Information Disclosure” and “Listed Events Disclosure” in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below), on or before each Annual Financial Information Disclosure Date, to the MSRB.

The Agency shall deliver such information in Prescribed Form and by such time so that the MSRB receives the information by the Annual Financial Information Disclosure Date.

If any part of the Annual Financial Information can no longer be generated because the operations of the State to which it is related have been materially changed or discontinued, the Agency shall disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents, including official statements of debt issues of the State or related public entities, which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB by the Annual Financial Information Disclosure Date. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the State, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency shall disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Indenture.

Consequences of Failure of the Agency to Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondowner or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Series Bonds or the Indenture or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance. None of the agreements or obligations of the Agency or of the State shall be construed to constitute a waiver of the State's sovereign immunity or a waiver of any of the limitations contained in Minnesota Statutes, Section 3.736, except as provided under the laws of the State. Neither a default by the Agency under the Disclosure Undertaking nor a default by the State under the State Agreement shall constitute a default or an Event of Default under the Series Bonds or the Indenture.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

- (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;
- (ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver does not materially impair the interests of the Bondowners of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondowners of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Indenture at the time of the amendment; or
- (iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

This Disclosure Undertaking shall terminate when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if the Undertaking is so terminated before the final stated maturity of the Series Bonds.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondowners and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

The State Agreement

Under the State Agreement the State agrees to provide the information needed for the Annual Financial Information which the Agency is required to provide under the Disclosure Undertaking. The State may satisfy this obligation either by providing the Annual Financial Information to the Agency or by identifying any other disclosure document which may be included or incorporated by reference in order to satisfy the Annual Financial Information requirement.

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

[To be dated the date of issuance of the Series Bonds]

Minnesota Housing Finance Agency
St. Paul, Minnesota 55101

Re: Minnesota Housing Finance Agency
State Appropriation Bonds (Housing Infrastructure), 2020 Series A, 2020 Series B, 2020 Series C
and 2020 Series D

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the “Agency”) in connection with the authorization, issuance and delivery by the Agency of its State Appropriation Bonds (Housing Infrastructure), 2020 Series A, in the aggregate principal amount of \$_____ (the “2020 Series A Bonds”), its State Appropriation Bonds (Housing Infrastructure), 2020 Series B, in the aggregate principal amount of \$_____ (the “2020 Series B Bonds”), its State Appropriation Bonds (Housing Infrastructure), 2020 Series C, in the aggregate principal amount of \$_____ (the “2020 Series C Bonds”), and its State Appropriation Bonds (Housing Infrastructure), 2020 Series D, in the aggregate principal amount of \$_____ (the “2020 Series D Bonds” and, together with the 2020 Series A Bonds, the 2020 Series B Bonds and the 2020 Series C Bonds, the “Series Bonds”). The Series Bonds are being issued in accordance with Minnesota Statutes, Chapter 462A, as amended (the “Act”), an Indenture of Trust, dated as of August 1, 2013, as heretofore and hereafter amended and supplemented (the “General Indenture”), by and between the Agency and Wells Fargo Bank, National Association, as trustee (the “Trustee”), and a Ninth Supplemental Indenture of Trust, dated as of September 1, 2020 (the “Supplemental Indenture”), by and between the Agency and the Trustee. The General Indenture and the Supplemental Indenture are referred to herein, collectively, as the “Indenture.”

The Series Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Indenture. The Series Bonds are subject to redemption prior to maturity, as provided in the Indenture.

The Series Bonds are being issued to make loans to certain recipients (the “Housing Infrastructure Loans”) to pay for all or a portion of the costs of acquisition, construction, rehabilitation and equipping, as applicable, of related developments, including facilities related and subordinate thereto, with respect to abandoned or foreclosed properties or for supportive housing, all as defined in the Act, or to finance or refinance the costs of acquisition and rehabilitation of federally assisted rental housing, and other authorized purposes under the Act; provided, however, that certain of the Housing Infrastructure Loans financed with proceeds of the 2020 Series A Bonds and 2020 Series B Bonds are deemed to be “grants” for federal income tax purposes.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency’s Resolution No. MHFA 19-038, adopted July 25, 2019, and Resolution No. MHFA 20-___, adopted July 23, 2020 (together, the “Bond Resolution”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the recipients of the Housing Infrastructure Loans with the covenants contained in the Indenture and the loan documentation relating to each development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution has been duly and validly adopted by the Agency; (3) the Indenture has been duly authorized and executed and is valid and binding upon the Agency in accordance with its terms, and creates the valid pledge and security interest it purports to create with respect to the Revenues, moneys, securities and other Funds held and to be set aside under the Indenture; (4) the Series Bonds are duly and lawfully authorized to be issued and are valid and binding special, limited obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Indenture, and are payable solely, and equally and ratably, from specified transfers expected to be made by the State of Minnesota (the “State”) pursuant to legislation providing for the appropriation of such transfers from the general fund of the State to the Agency and

moneys and securities held from time to time in the funds and accounts established and pledged thereto under the Indenture; and (5) the interest payable on the Series Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, that we express no opinion as to the exclusion from federal gross income and Minnesota taxable net income of interest on any 2020 Series C Bond or 2020 Series D Bond for any period during which such 2020 Series C Bond or 2020 Series D Bond is held by a person who is a “substantial user” of a development financed by the 2020 Series C Bonds or the 2020 Series D Bonds or a “related person” thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”).

Interest on the Series Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals. Interest on the Series Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the Series Bonds. All owners of Series Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the Series Bonds.

Noncompliance by the Agency or the recipient of a Housing Infrastructure Loan financed by the Series Bonds with their covenants in the Indenture or applicable loan documentation relating to a development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the Series Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the Series Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Dated: ___, 2020.

Respectfully yours

APPENDIX E

PRELIMINARY OFFICIAL STATEMENT OF THE STATE OF MINNESOTA

DATED [], 2020

RESOLUTION NO. MHFA 20-032

RESOLUTION RELATING TO STATE APPROPRIATION BONDS (HOUSING INFRASTRUCTURE); AUTHORIZING THE ISSUANCE AND SALE OF ADDITIONAL SERIES AND APPROVING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS; AUTHORIZATION OF ADDITIONAL DEVELOPMENTS TO BE FUNDED WITH PROCEEDS OF PRIOR AUTHORIZED SERIES

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY (the “Agency”), as follows:

Section 1. Recitals.

1.01. State Appropriation Bonds; Authority; Purpose. The Agency is authorized under Minnesota Statutes, Chapter 462A, including, without limitation, Section 462A.37 thereof, as amended (the “Act”) to issue bonds from time to time (the “State Appropriation Bonds”) secured by standing appropriations of the State of Minnesota (the “State”) for the purpose of financing grants with respect to manufactured home parks and loans to borrowers (the “Borrowers”) to pay for all or a portion of the costs of acquisition, construction, rehabilitation and equipping, as applicable, of related developments, including facilities related and subordinate thereto (the “Developments”), with respect to abandoned or foreclosed properties or for supportive housing, all as defined in the Act, or to finance or refinance the costs of acquisition and rehabilitation of federally assisted rental housing, and other purposes authorized by the Act. Such State Appropriation Bonds shall be equally and ratably secured solely by the pledge of certain appropriations expected to be made by the State pursuant to the Act and other available funds under the Indenture (as hereinafter defined). The State Appropriation Bonds will not constitute or give rise to a pecuniary liability of the Agency, except to the extent of appropriations from the State made pursuant to the Act and received by the Agency and other funds held under the Indenture (as hereinafter defined), or of the State or any political subdivision thereof, or be a general obligation of the Agency or constitute an indebtedness or other obligation of the State or public debt of the State. The full faith and credit and taxing powers of the State are not pledged to the payment of the State Appropriation Bonds.

1.02. Authority; Purpose. The Agency desires to issue its State Appropriation Bonds under Section 462A.37 of the Act for the purpose of financing loans to Borrowers, who shall be the owners (“Owners”) of the related Developments listed in Exhibit A hereto (or such other entities designated by such Owners which entities agree to make, directly or through intermediaries, corresponding loans to the Borrowers); provided, however, that loans may be made to different or additional Owners with respect to different or additional Developments upon the adoption of a resolution supplemental hereto. The amount of each loan shall be in such amount approved by the Agency and any loan may be forgivable upon such terms as shall be determined by an Authorized Officer of the Agency. The bonds herein authorized shall consist of one or more series of State Appropriation Bonds of the Agency, the first of which is to be designated as “State Appropriation Bonds (Housing Infrastructure), 2020 Series [D],” in the aggregate principal amount to be determined pursuant to the terms of Section 2.02 of this

resolution. Additional series of State Appropriation Bonds issued pursuant to this resolution shall be designated “State Appropriation Bonds (Housing Infrastructure), “_____ Series ____” and completing the first blank with the calendar year of issuance and the second blank with an uppercase letter as appropriate for the order of such issuance. The maximum collective aggregate principal amount of all series of State Appropriation Bonds issued pursuant to this resolution shall not exceed \$60,000,000; the number of series of State Appropriation Bonds and their corresponding principal amounts shall be as determined by the Authorized Officer (as defined herein) pursuant to Section 8 of this resolution, and as set out in the Supplemental Indenture delivered pursuant to this resolution. All such series of State Appropriation Bonds issued pursuant to this resolution are the “Series Bonds.”

The Series Bonds will be secured solely, and equally and ratably with the Agency’s State Appropriation Bonds hereafter authorized, by the pledge of certain appropriations expected to be made by the State pursuant to the Act and other available funds under the Indenture. The Series Bonds will not constitute or give rise to a pecuniary liability of the Agency, except to the extent of appropriations from the State made pursuant to the Act and received by the Agency and other funds held and pledged thereto under the Indenture, or of the State or any political subdivision thereof, or be a general obligation of the Agency or constitute an indebtedness or other obligation of the State or public debt of the State. The full faith and credit and taxing powers of the State are not pledged to the payment of the Series Bonds.

1.03. Sale of Series Bonds. The Agency will negotiate for the sale of the Series Bonds to RBC Capital Markets, LLC, J.P. Morgan Securities LLC, Piper Sandler & Co. and Wells Fargo Bank, National Association (collectively, the “Purchasers”). The Agency will issue and sell the Series Bonds to the Purchasers pursuant to one or more Contracts of Purchase to be entered into between the Agency and the Purchasers (the “Purchase Contract”), subject to the parameters set forth in Section 2.02 hereof.

1.04. Documentation. The Series Bonds will be issued pursuant to the Indenture of Trust dated as of August 1, 2013, by and between the Agency and the Trustee (hereinafter defined) and relating to State Appropriations Bonds (Housing Infrastructure) (as amended and supplemented, the “Master Indenture”). Draft forms of the following documents (collectively and together with the Master Indenture, the “Bond Documents”) relating to the State Appropriation Bonds and the Series Bonds have been prepared and submitted to the Agency and are hereby directed to be filed with the Agency:

(a) A proposed form of a Supplemental Indenture of Trust (the “Supplemental Indenture”), to be entered into between the Agency and the Trustee, to establish the form and terms of one or more series of the Series Bonds (the Master Indenture and the Supplemental Indenture are collectively referred to herein as the “Indenture”);

(b) A proposed form of the Purchase Contract between the Agency and the Purchasers relating to the sale and purchase of one or more series of the Series Bonds;

(c) A proposed form of a Continuing Disclosure Agreement to be entered into by the Agency and the Trustee; and

(d) A proposed form of Agreement to be entered into between the Agency and the State regarding the State's agreement to provide annual updates of financial information and operating data of the State contained in or incorporated in the Official Statement (as hereinafter defined).

Section 2. Authorization of the Series Bonds and Approval of the Bond Documents.

2.01. Authorization. To provide sufficient funds to be used and expended for the purposes set forth in Section 1.02, the Agency is hereby authorized to issue the Series Bonds in an aggregate principal amount not to exceed \$60,000,000. The Agency is hereby authorized to sell the Series Bonds to the Purchasers to provide funds to be used to make a loan to or for the benefit of each of the Owners to finance the Developments and pay costs of issuance of the Series Bonds.

2.02. Terms of Series Bonds. The Series Bonds shall be initially dated the date of delivery to the Purchasers and shall be in the form prescribed by the Indenture. The final terms of the Series Bonds have not been established as of the date of adoption of this resolution. Any of the Chair, the Commissioner or the Chief Financial Officer of the Agency (each an "Authorized Officer") is hereby authorized to approve the final terms of the Series Bonds, including the redemption provisions of the Series Bonds, subject to the following parameters:

- (i) the principal amount of each series of the Series Bonds; provided that the aggregate principal amount of the Series Bonds is not in excess of \$60,000,000;
- (ii) the maturity schedule of each series of the Series Bonds (including any mandatory sinking fund redemption schedule); provided that the Series Bonds mature at any time or times in such amount or amounts not later than August 1, 2043;
- (iii) the interest rates borne by each series of the Series Bonds; provided that the true interest cost on a series of the Series Bonds does not exceed 5.00% per annum; and
- (iv) the fee or other compensation payable to the Purchasers of the Series Bonds; provided that the fee or other compensation does not exceed 1.00% of the principal amount of the applicable series of Series Bonds.

Such approval shall be conclusively evidenced by the execution of the applicable Purchase Contract with the Purchasers by an Authorized Officer.

2.03. Approval of Bond Documents. The forms of the Bond Documents are hereby approved, subject to such modifications as are deemed appropriate and approved by an Authorized Officer, subject to the limitations contained in Section 2.02, which approval shall be conclusively evidenced by execution of the Bond Documents by an Authorized Officer. Copies of all the documents shall be delivered or filed as provided therein. An Authorized Officer is also authorized and directed to execute such other documents and certificates as may be required to give effect to the transactions herein contemplated.

2.04. Preliminary Official Statement; Official Statement. The Agency has also received and examined a draft Preliminary Official Statement containing information relating to the Agency, the State and the Series Bonds. An Authorized Officer is hereby authorized to approve a final version of the Preliminary Official Statement and the use thereof by the Purchasers in the public offering of the Series Bonds is hereby approved. A final Official Statement, substantially in the form of the Preliminary Official Statement except for revisions required or approved by counsel for the Agency and an Authorized Officer and insertion of the terms of the Series Bonds as provided in the Purchase Contract, is approved and authorized to be signed by an Authorized Officer, and furnished to the Purchasers for distribution to investors.

Section 3. Appointment of Trustee. Wells Fargo Bank, National Association serves as Trustee under the Indenture and is vested with all the property, rights, powers and duties granted, pledged and assigned to it by the Indenture, in trust for the owners of the State Appropriation Bonds, including the Series Bonds and any additional bonds issued and to be issued thereunder.

Section 4. General Tax Covenant. The Agency covenants to not take, or permit or cause to be taken, any action that would adversely affect the exclusion of interest on the Series Bonds from federal income taxation, and to take or cause to be taken any action within its control necessary to maintain such exclusion.

Section 5. Authentication of Proceedings. The Chair, Commissioner or Chief Financial Officer and other officers of the Agency are authorized and directed to furnish to the Purchasers and bond counsel certified copies of all proceedings and records of the Agency relating to the Series Bonds, and such other affidavits and certificates as may be required to show the facts relating to the legality and validity of the Series Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Agency as to the truth of all statements of fact contained therein.

Section 6. Limitations of the Agency's Obligations. Notwithstanding anything contained in the State Appropriation Bonds, the Series Bonds or the Bond Documents, the State Appropriation Bonds, including without limitation, the Series Bonds, shall not constitute general obligations of the Agency and shall not be payable from nor constitute a charge, lien or encumbrance, legal or equitable, upon any funds or any property of the Agency other than the appropriations of the State specifically pledged to the payment thereof pursuant to the Bond Documents and the Act and any other funds held under the Indenture expressly pledged thereunder to such payment, and no holder of the State Appropriation Bonds, including without limitation, the Series Bonds, shall ever have the right to enforce payment thereof against any property of the Agency other than those rights and interests of the Agency which have been pledged to the payment thereof pursuant to the Indenture.

Section 7. Advance of Agency Funds. If the Agency desires to fund loans before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund such loans in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 8. Discretion of Authorized Officer. An Authorized Officer shall determine the number and aggregate principal amount of each series of the Series Bonds, subject to the limitations in Section 2.02 of this resolution. Notwithstanding anything contained in the foregoing sections of this resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of Bond Counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell any of the Series Bonds authorized pursuant to this resolution (subject to any applicable provisions of any purchase contract theretofore executed), then such Series Bonds will not be issued or sold in accordance with this resolution.

Section 9. Approval of Additional Developments for State Appropriation Bonds (Housing Infrastructure) Authorized Pursuant to Resolution No. MHFA 19-038. Section 1.02 of the Agency's Resolution MHFA 19-038, relating to prior authorized series of State Appropriation Bonds (the "Prior Authorizing Resolution") provides that proceeds of State Appropriation Bonds authorized pursuant to the Prior Authorizing Resolution may be used to finance loans to Borrowers, who shall be the Owners of Developments (a) listed in Exhibit A of the Prior Authorizing Resolution and (b) different or additional Developments upon the adoption a resolution supplemental to such Prior Authorizing Resolution. The Agency herein approves the Developments listed in Exhibit A of this resolution as different and additional Developments eligible to receive loans made from proceeds of State Appropriation Bonds authorized pursuant to the Prior Authorizing Resolution; this Section 9 shall act as a resolution supplemental to the Prior Authorizing Resolution.

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Adopted by the Minnesota Housing Finance
Agency this 23rd day of July, 2020.

By _____
Chairman

Attest: _____
Commissioner

[Resolution No. MHFA 20-032]

EXHIBIT A
DEVELOPMENTS AND OWNERS¹

<u>Development</u>	<u>Owner²</u>	<u>Location (MN)</u>	<u>Type of Development</u>
American House	American House LLC	St. Paul	Supportive Multifamily; Behavioral Health; Rehab
Anishinabe III	A Minnesota limited liability company to be jointly formed by Anishinabe III, LLC and PPL Anishinabe III, LLC	Minneapolis	Supportive Multifamily; New Construction
Bimosedaa	Bimosedaa Housing Limited Partnership	Minneapolis	Supportive Multifamily; Acquisition/Adaptive Reuse
Birchwood Apartments	Birchwood Apartments of Duluth Developer, LLC	Duluth	Supportive Multifamily; Behavioral Health; New Construction
Bloom Lake Flats	PPL Bloom Lake LLC	Minneapolis	Supportive Multifamily; Behavioral Health (50%); New Construction
Colonial Square	Tapestry Colonial Square, LLLP	Mankato	Preservation Multifamily; Acquisition/Rehab
East Conifer Estates	East Conifer Estates LLC	Bemidji	Supportive Multifamily; Behavioral Health (50%); New Construction
Exodus II	Catholic Charities of the Archdiocese of St. Paul and Minneapolis	Minneapolis	Supportive Multifamily; Acquisition/Adaptive Reuse
Maplewood Gardens	TCHDC Maplewood Gardens, LLC	Maplewood	Supportive Preservation Multifamily; Acquisition/Rehab
Mayowood Apartments	Mayowood Developer, LLC	Rochester	Supportive Multifamily; Behavioral Health; New Construction
Owasso Gardens	CB Owasso Gardens Limited Partnership	Roseville	Supportive Senior Multifamily; New Construction

¹ In addition, it is anticipated that proceeds of the Series Bonds will be used to make loans to one or more Community Land Trusts to finance the acquisition cost of land upon which is situated, or will be constructed, condominium units, townhouses, or structures consisting of one to four single family dwellings, to be leased to low and moderate income homebuyers.

² Or an affiliate thereof or successor thereto.

[Continued from prior page]

<u>Development</u>	<u>Owner³</u>	<u>Location (MN)</u>	<u>Type of Development</u>
Parkview Heights	TCHDC Parkview Heights, LLC	Owatonna	Supportive Preservation Multifamily; Acquisition/Rehab
Sabathani Senior Housing	Sabathani Senior Housing, LLC	Minneapolis	Supportive Senior Multifamily; New Construction
Snelling Yards Senior Housing	Ecumen Minneapolis Snelling Yards, LP	Minneapolis	Supportive Senior Multifamily; New Construction
Stryker Senior Housing	NeDA Stryker Senior, LLC	St. Paul	Senior Multifamily; New Construction
White Earth Mahnomen	Mahnomen, LLC	Mahnomen	Senior Multifamily; New Construction

³ Or an affiliate thereof or successor thereto.

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Board Agenda Item: 8.A
Date: 7/23/2020

Item: 2020 2nd Special Legislative Session

Staff Contact(s):

Ryan Baumtrog, 651.296.8920, ryan.baumtrog@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

The 2020 2nd Special Legislative Session started on Monday July 13. Staff will provide an update of legislative actions, if applicable, at the Board meeting.

Fiscal Impact:

Results of the 2020 2nd Special Legislative Session will be shared at the meeting, if applicable.

Meeting Agency Priorities:

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

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Item: Revision to the Board Resolution establishing a Finance and Audit Committee

Staff Contact(s):

Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Anne Smetak, 651.263.1460, anne.smetak@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

In September 2012, the Board adopted a resolution to create the Finance and Audit Committee and provide for its purpose and responsibilities. Staff would like to discuss with Board the possibility of updating the resolution to better reflect the activities and purpose of the Committee.

Fiscal Impact:

None

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☐ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- Draft Resolution
- Original Resolution

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite #400
Saint Paul, Minnesota 55102**

RESOLUTION NO. MHFA 20-_____

**REVISING AND RESTATING THE ROLE OF THE FINANCE AND AUDIT
COMMITTEE AND SUPERSEDING
RESOLUTION No. 12-062**

WHEREAS, the members of the Minnesota Housing Finance Agency (collectively known as the “Board”) previously established a Finance and Audit Committee (“Committee”) through the adoption of Resolution No. 12-062.

WHEREAS, the Board has determined a need to update the resolution governing that Committee to better reflect the activities and function of the Committee.

NOW THEREFORE BE IT RESOLVED:

THAT, Resolution No. 12-062 is hereby superseded by this Resolution, which updates and restates the activities and function of the Committee;

THAT, the Committee shall perform the activities designated herein:

1. Committee Members. The Board shall have a Committee consisting of all members of the Board. The Board Chair shall preside at all Committee meetings. In the Board Chair’s absence, the Vice Chair shall preside. A majority of the members (excluding vacancies) shall constitute a quorum for the purpose of conducting the Committee’s business and exercising its powers and for all other purposes. When a quorum is in attendance, action may be taken by the Committee upon a vote of a majority of the members present.
2. Committee Purpose. The purpose of the Committee is to receive and review, as necessary, certain financial information of the Minnesota Housing Finance Agency (“Agency”) and, when necessary, recommend action by the members of the Board as a whole. The Committee is responsible for overseeing the Agency’s accounting and financial reporting processes, the audit of the Agency’s annual financial statements, and the overall approach to risk management and internal controls. Some of the Committee’s responsibilities may be delegated in writing to Agency staff, as appropriate. The Committee shall meet as needed to address matters. The Committee shall have access to financial expertise, whether in the form of Agency staff or outside financial advisors or auditors. It may ask others to attend its meetings and provide pertinent information as necessary.

3. Committee Responsibilities The Committee shall perform the following duties unless they are performed directly by the Board:
- a) Recommend to the Board the selection and replacement of any financial advisor, investment banker, and publicly registered public accounting firm (independent auditor) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Board.
 - b) As necessary, meet with the financial advisor, investment bankers, independent auditor, and other Agency staff, review Agency financial reports, evaluate or receive evaluations of the performance of the financial advisor, the investment bankers or the independent financial auditor, and receive reports on the sale and issuance of bonds
 - c) Oversight of agency risk and internal controls, including consultation with senior management and the Chief Risk Officer
 - d) Review, at least annually, with the independent auditor, and Agency staff:
 1. The independent auditor's plan for the financial audit, and scope thereof
 2. The independent auditor's report on the Agency's annual financial statements and related footnotes.
 3. The independent auditor's report on the Agency's Federal Program single audit.
 4. The independent auditor's required communications, including reporting on significant accounting areas and estimates
 5. The independent auditor's report on internal controls and governmental audit standards including, as necessary, any assessment or report related to the Agency's computerized information system controls and security.
 6. Any other matters the independent auditor chooses to bring to the attention of the Committee
 - e) Review, at least annually, with Agency staff :
 1. The Agency's Risk Management and Internal Control Framework.
 2. Agency compliance with the Risk Management and Internal Control Framework including, but not limited to:
 - Code of conduct, ethics, and conflict of interest.
 - Procedures for the receipt, retention and treatment of reports of wrongdoing or other concerns received, and reporting on investigative activities and resolutions, if any
 - Risk assessments and other internal control reviews, including the Agency Risk Profile, Annual Internal Control System Certification, and program/business process risk assessment projects.
 - f) Make reports and recommendations, as necessary, to the Board.
 - g) Perform such other functions as assigned by the Board.
 - h) The Committee may create subcommittees as necessary.

Adopted this 23rd day of July, 2020

CHAIRMAN

**MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101**

RESOLUTION NO. MHFA 12-061

RESOLUTION ESTABLISHING A FINANCE AND AUDIT COMMITTEE

WHEREAS, the members of the Minnesota Housing Finance Agency ("Board") have determined a need to establish a Board Finance and Audit Committee.

NOW THEREFORE BE IT RESOLVED:

THAT, a Finance and Audit Committee ("Committee") be established as follows:

1. **Committee Members.** The Board shall have a Finance and Audit Committee ("Committee") consisting of all members of the Board. The Board Chair shall preside at all Committee meetings. A majority of the members (excluding vacancies) shall constitute a quorum for the purpose of conducting the Committee's business and exercising its powers and for all other purposes. When a quorum is in attendance, action may be taken by the Committee upon a vote of a majority of the members present.
2. **Committee Purpose.** The purpose of the Committee is to receive and review, as necessary, financial information of the Minnesota Housing Finance Agency ("Agency") and, when necessary, recommend action by the members of the Board as a whole. The term "financial information" includes, but is not limited to, debt issuance and management, financial results of the Agency and the selection of external financial service providers. The Committee is responsible for the oversight of Agency financial management matters including, but not limited to, debt issuance and management, investment management, selection of external financial service providers and the review of the Agency's financial results. The Committee is also responsible for overseeing the accounting, internal controls and financial reporting processes of the Agency and the audit of the annual financial statements of the Agency. Some of the Committee's responsibilities may be delegated in writing to Agency staff, as appropriate. The Committee shall meet as needed to address matters. The Committee shall have access to financial expertise, whether in the form of Agency staff or outside financial advisors or auditors. It may ask others to attend its meetings and provide pertinent information as necessary.

3. **Committee Responsibilities.** The Committee shall perform the following duties unless they are performed directly by the Board:

- a) Recommend to the Board the selection and replacement of any financial advisor, investment banker, and publicly registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Board. Each such financial advisor and registered public accounting firm shall report directly to the Committee.
- b) Meet with the financial advisor, outside auditors, the Chief Financial Officer and others, as necessary.
- c) Review with Agency staff interim financial reports issued.
- d) Approve the hiring of a Chief Risk Officer, who reports to the Committee.
- e) Evaluate the financial advisor, investment banker, and publicly registered public accounting firm.
- f) Review, at least annually, with Agency staff, the Chief Risk Officer and counsel:
 - 1. Regulatory and legal matters that, in the opinion of Agency staff and counsel, may have a material impact on the financial statements, related Agency compliance policies and programs and reports.
 - 2. The Agency's code of conduct and ethics to ensure that it is adequate and up-to-date.
 - 3. The results of the Chief Risk Officer's review of compliance with the Agency's code of conduct and ethics.
 - 4. The Agency's and Chief Risk Officer's procedures for the receipt, retention and treatment of complaints received by the Agency or the Chief Risk Officer regarding accounting, internal accounting controls, or auditing matters that may be submitted by any person external or internal to the Agency, including reviewing procedures for the confidential, anonymous submissions by Agency employees of concerns regarding questionable accounting or auditing matters and also review any such complaints received, their current status and the resolution, if one has been reached.
- g) Review, at least annually, with the independent financial auditors, Agency staff and counsel:
 - 1. The audit scope and plan of the independent financial auditors.
 - 2. The Agency's annual financial statements and related footnotes.
 - 3. The independent financial auditors' audit of the financial statements and their report thereon.
 - 4. All material written communications between the independent auditors and Agency management, including:

- a. The independent financial auditors' judgments about the quality, not just the acceptability, of the Agency's accounting practices.
 - b. Any significant changes required in the independent financial auditors' audit plan.
 - c. Any serious difficulties or disputes with Agency management encountered during the audit.
 - d. The effect of any regulatory and accounting initiatives.
5. Material prepared by independent auditors regarding the adequacy of the Agency's internal controls, including computerized information system controls and security.
6. Any significant risks or exposures facing the Agency, including an assessment of the steps Agency management has taken or proposes to take to minimize such risks to the Agency and periodically review compliance with such steps.
- h) Receive financial briefings by Agency staff and external financial service providers.
 - i) Receive and discuss reports regarding the proposed issuance and sale of bonds.
 - j) Make reports and recommendations, as necessary, to the Board.
 - k) Perform such other functions as assigned by the Board.
 - l) The Committee may create subcommittees as necessary.

Adopted this 27th day of September, 2012.


CHAIRMAN